

THE INDONESIAN QUARTERLY

VOL. XI, NO. 2, 1983:

Current Events

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Indonesian Industrialization Process

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Coal Developmet

National Development, Transmigration
Models and Demographic Trends in
Indonesia

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Australian-Indonesian Relations
in the Context of Development in Asia-Pacific

Book Reviews



CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES



THE INDONESIAN QUARTERLY

CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES, JAKARTA.

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01381/SK/Dirjen PG/SIT/72

ISSN 0304-2170

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The 1983 General Session of the MPR

At least every 5 years the Indonesian People's Consultative Assembly (MPR) is to hold its General Session to comply with the 1945 Constitution. This year the MPR held its session from March 1st until 11th to elect the President and Vice-President and to lay down the State's basic policies for the next 5 years.

The 920 members of the MPR following the 1982 General Elections, were installed on 1 October 1982 and on October 3 a steering committee was formed to prepare the draft decrees and decisions of the MPR. Ad Hoc Committees were also set up by the MPR to study particular issues, taking into account the views and suggestions put forward by various socio-political organizations. These were formulated into draft decrees and decisions of the MPR. They were then discussed at length to be passed as decrees, and decisions of the MPR.

The items discussed at the General Session were as follows: the Broad Guidelines of the State's Policy and the draft provisions for Congressional Rules, Referendum, General Elections, the Accountability Report of the President and the Conferment of the Title of "Father of Development" on President Soeharto.

Interesting to note is the issue on the referendum taken up in the General Session. The idea was propounded by President Soeharto some time ago to promote democratic life in Indonesia. The referendum, however, will not imply amendments or even elimination of Article 37 of the Constitution, in which it is stated that in order to alter the Constitution, at least two-thirds of the total number of members of the MPR must be in attendance and that a decision shall be taken with the agreement of at least two-thirds of the total

number of members present. If the MPR desires to amend the 1945 Constitution it should first ask the people's opinion through a referendum. The referendum is to be carried out by the President, who is "untergeordnet" (subordinate) to the MPR. With the ratification of the referendum, the constitutional provision for the appointment of one-third of MPR members would be reviewed.

Another noteworthy issue is that on the election of the President and Vice-President. Shortly before the MPR's General Session, the Indonesian socio-political organizations had expressed their support for the re-election of President Soeharto as the sole candidate for the presidency for the next five-year term. Consequently during the General Session, General (retired) Soeharto was unanimously appointed as President for the next five years. The issue on the vice-presidency also became the topic of daily conversation since it was widely assumed that the Vice-President would be a civilian like the predecessors. Surprisingly General (retired) Umar Wirahadikusumah was nominated as candidate for Vice-President, who will assist President Soeharto for the next five-year term.

Another important point is the Account of Responsibility of President Soeharto to the MPR, in which he emphasized the necessity of using Pancasila (the Five Principles) by all socio-political forces as the one and only principle in the nation's political life. For the first time in history Pancasila is formally formulated as the only term of reference in socio-political life.

The Broad Guidelines of the State Policy to be determined in the General Session is a continuation of the one of 1978, but the general pattern of the third development plan was changed into that of the Fourth Five-Year Development Plan. Related to the development plan is the Draft State Budget, which was based on the assumption that the OPEC oil price remained \$ 34 a barrel with a production of 1.4 million barrel a day. Apparently the budget has to be revised on account of the drop of the OPEC oil price, the limited export of oil and the devaluation of the Indonesian Rupiah. However, development will be continued especially in the agricultural sector in order to reach self-reliance and self-sufficiency in basic necessities and to meet the needs of industry for domestic consumption and export purposes.

The General Session proceeded smoothly thanks to the steering committee that had prepared the materials to be ratified as the decrees and decisions of the MPR. They only need to be implemented in the next five-years marked by uncertainties. Nevertheless, Indonesia is determined to go on through the coming hard years with the hope that by tightening the belts she will achieve the best possible results.

Highlights of the Broad Guidelines of The State Policy

In compliance with the Constitution, the People's Consultative Assembly (MPR) elected the President and Vice-President and laid down the Broad Guidelines of the State Policy (GBHN) during its General Session in March. The aim of the issuance of the Decree on the Broad Guidelines of the State Policy is to give direction to the state and the people of Indonesia in their national development for the next five years. Thus, the GBHN is essentially a general pattern for national development with a set of objectives to be achieved in stages through long-range and short-range development plans. The short-range plan is implemented by means of Pelita (Five-Year Development Plan), which is at present approaching the end of the five year term of Pelita III and will enter the next five year period of Pelita IV.

Some materials of Pelita III will be changed and other relevant ones improved in Pelita IV since the latter is a continuation of the former. Of the issues mentioned in the document three are outstanding ones, i.e. firstly, on industry, which will become the starting point for the implementation of the long-range economic development plan; secondly, on the state ideology; and thirdly, on foreign policy, particularly with respect to the Pacific era. The three issues can be spelt out as follows:

1. The first priority in Pelita IV is still placed on economic development with the emphasis on the agricultural sector so as to sustain self-reliance in staple food and to boost industry which will be able to produce its own machinery;
2. Pancasila (the Five Principles) has been decreed as the sole term of reference for the socio-political forces, particularly the political parties and functional groups. In this regard President Soeharto in his State Address on

August 16, 1982, pointed to the previous political life which had always been marked by sensitivities and violence because the then existing political parties tended to over-emphasize their own peculiar ideologies. This aroused narrow group fanaticism, which was exploited by extreme elements to cause disorder;

3. Cooperation between the countries in Southeast Asia and the West Pacific region will be stepped up. In particular, cooperation between member countries of ASEAN will be developed and expanded in the context of strengthening the national resilience of the respective member countries and that of the region as a whole.

In the GBHN it is stated that self-reliance in staple food may be achieved a.o. by increasing the production of rice and second crops as well as the overall growth of agriculture comprising fishery, livestock, horticulture and forestry. To this end, aside from the government's development efforts, participation of the farmers should be promoted through farmers' associations and village cooperative units.

Furthermore, the GBHN provides that the targeted stage of industry will be attained by restructuring the agricultural economy towards the creation of a balance between agriculture and industry, since industrial development is part of a long-range plan to transform the unbalanced economic structure. The industrial development will be stepped up so as to make it capable of producing machinery to meet the needs of domestic industries by stages. So that in Pelita VI, 10 years after Pelita IV, Indonesia will have reached the take-off stage of an industrialised country. Meanwhile the development of industries, which will support the agricultural sector, such as those producing agricultural implements, should be continued. The industrial development is also directed towards promoting small industries, in which links are created between small-scale, medium-scale and large-scale industries so as to directly stimulate the growth of small-scale industries providing more employment opportunities for the people.

It is also stated in the GBHN that better measures should be taken to encourage the export of non-oil commodities and services and to promote tourism in order to increase foreign exchange earnings.

Adequate funds needed to finance the implementation of Pelita IV should come from domestic sources while those coming from abroad serve as complementary sources. Foreign loans can be accepted on condition that there be no political ties, the loans be based on soft terms and within the capacity of the debtors, and that they be used for financing beneficial and productive projects.

In the final part of the GBHN it is mentioned that the President will consider the proposals of the House of Representatives (DPR) in drawing up a more detailed pattern of the Five-Year Development Plan for achieving the targets in various fields for the period of 1984-1989 to be implemented with the support and participation of the people. The GBHN is the state's general program to be executed by the President as mandatory of the People's Consultative Assembly in compliance with the Constitution.

With the issuance of the GBHN by the MPR the Indonesian people through their representatives have laid down the necessary directives for the life of the state and the nation for the next five years to come. For the DPR, the GBHN may be used as criteria by which to exercise control over the President as provided in the Elucidation of the 1945 Constitution on the System of Government no. VIII which reads as follows: "... if the DPR considers that the President has really acted in violation of the policy of the state as directed by the Constitution or by the MPR, the MPR can be called upon to convene a special session to bring the President to account."

M. SUDIBJO

Election of the President and Vice-President

Subordinated and responsible to the People's Consultative Assembly (MPR), the President is chief executive of the highest organ of the state. The MPR elects the President (and the Vice-President) for a five-year term, after which he can be re-elected for another term. It is not stipulated in the 1945 Constitution how many times a President or Vice-President may be re-elected, nor is the procedure spelt out in the Constitution. Since achieving independence 37 years ago, the Indonesian people has known only two Presidents: Soekarno and Soeharto. General Soeharto succeeded Soekarno as Indonesia's second President in the aftermath of the communist coup attempt in 1965.

On March 11, 1966, President Soekarno issued an order known as "Letter of Order of March 11," to Lieutenant General Soeharto, to take the necessary measures to ensure the stability of the government and the unity of the nation.

Thereafter in the same year in a special session the Provisional MPR endorsed the letter of order and appointed General Soeharto to form a new cabinet with the main task of ensuring economic and political stability. Furthermore, in its special session of 1967 the Provisional MPR concluded that President Soekarno had not carried out his mandate in compliance with the Constitution. Hence the Provisional MPR withdrew all governmental powers from President Soekarno and appointed General Soeharto as acting President, and finally confirmed his election as President for a five-year term in its Fifth General Session in 1968.

Under the leadership of President Soeharto, the New Order (post Soekarno) began to restructure the nation's political system based on the 1945 Constitution and the state ideology i.e. Pancasila (the Five Principles). Henceforward, there have been three general elections respectively in 1971, 1977 and 1982. They serve to indicate that the government is determined to build a tradition of constitutionalism, which will ensure a peaceful and orderly change of leadership without upheavals or conflicts.

The MPR, elected in the general elections of 1971, managed to formulate a procedure for the election of the President and Vice-President, which has been used to date (Decree No. II/MPR/1973) including that for the election of the President and Vice-President for the period of 1983-1988. The Decree, in which a.o. the requirements to be met by the presidential and vice-presidential candidates are stipulated, states that the quorum of the plenary session of the MPR required for the election of the President and Vice-President is at least 2/3 of the total MPR membership. With an accompanying statement of acceptance of the candidates concerned, the factions in the Assembly put them forward in writing to the Assembly. If there are more than one candidate, an election takes place by secret ballot. But if there is only one candidate for the presidency and one for the vice-presidency, then both the candidates are only confirmed by the plenary session.

Some time before the General Session of the MPR it was obvious who would be the President for the term of 1983-1988, namely General (retired) Soeharto who was the incumbent President. The mass media played a major role in expressing the widespread desire of the people for the re-election of President Soeharto: since the beginning of 1981 the people had expressed their wish through the Regional Houses of Representatives (DPRD), government apparatuses, religious leaders, socio-political, youth and professional organizations.

Pursuant to the expressed wishes of the people, all factions of the MPR approved the nomination of General (retired) Soeharto as the sole candidate for the presidency for the term of 1983-1988.

On March 2-3 the five factions - respectively the Functional Development Group, the Islamic (PPP) faction, the Indonesian Democratic (nationalist) faction, the Armed Forces faction and that of the Regional Delegates - met President Soeharto to ask for his official acceptance of nomination for re-election as President for the period 1983-1988.

The question on who would become the Vice-President for the term of 1983-1988 had been widely discussed until shortly before the General Session of the MPR. Quite a few names, proposed by individuals or organizations, were mentioned by news papers. And on February 25, 1983, a week before the General Session of the MPR, the same three majority factions reached an agreement with President Soeharto as the sole presidential candidate for the term of 1983-1988, to nominate General (retired) Umar Wirahadikusumah (Chairman of the Supreme Audit Board) as the sole candidate of the vice-presidency for the term of 1983-1988. However, the nomination of the vice-presidential candidate was also approved by the other factions, i.e. the Islamic PPP and the Nationalist Democratic factions.

Thereafter on March 10 and 11 the sole candidates respectively General (retired) Soeharto and General (retired) Umar Wirahadikusumah were duly elected as President and Vice-President of Indonesia for the term of 1983-1988 in a plenary session of the MPR.

BABARI

Devaluation of the Rupiah

On March 30, 1983 the rupiah was devalued by 27.5 percent, to the rate of 970 to the dollar. The devaluation was no surprise, especially after OPEC's decision in mid-March to cut oil prices by \$ 5 a barrel. Each dollar drop in oil prices costs Indonesia about \$ 325 million in reduced earnings. This drop, amounting to a total of \$ 1.6 billion, has to be seen in the light of the country's balance-of-payments.

Already in the fiscal year of 1982/1983, which ended on March 31, 1983, the deficit on current account widened to about \$ 7.3 billion, larger than the earlier projection of \$ 6.2 billion. In FY 1980/1981 Indonesia's current account was still in a surplus, but moved into a deficit of \$ 2.3 billion in the following fiscal year. Due to the fall in oil prices, the deficit on current account was expected to widen to between \$ 8 and \$ 10 billion in FY 1983/1984.

The question of how to finance the deficit became a major worry in view of the country's foreign exchange reserves. In March 1981, foreign exchange reserves stood at \$ 7.3 billion, or at a comfortable level of 4.5 months of imports. By the first half of March 1983, foreign reserves have dwindled down to \$ 3.4 billion, which was equivalent to two months of imports only.

The devaluation, which changes the relative prices of imports and exports, was aimed at preventing a further deterioration of the current account in the balance of payments. It is well understood, however, that the 27.5 percent devaluation alone would not suffice to restore the country's external balance; not unless the government adopts extremely austere policies.

Oil has come to play too dominant a role in the Indonesian economy during the past decade. Oil (and gas) exports constituted up to 82 percent of total exports in FY 1981/1982. The devaluation could stimulate some non-oil exports, but the effect may still be far short of the extent to which it could compensate for the fall in oil export earnings. Imports could only be curbed at the cost of a slowdown in investment, both in the public and private sectors. Similarly, the demand for imports of industrial inputs could not be reduced in the short run without affecting industrial activities due to the high import content of Indonesia's prevailing industrial structure.

The government's budget for FY 1983/1984 foresaw a 6.1 percent nominal increase from the preceding year. This increase is very low compared to the 45 percent increase during the second oil boom from FY 1979/1980 to FY 1980/1981. Still, observers were of the opinion that the government's budget was too optimistically drafted, especially on the revenue side. Taxes from oil corporations operating in Indonesia have traditionally comprised between 60 and 70 percent of total government's domestic revenues. For FY 1983/1984, government's revenues from oil have been targeted to amount to about 64 percent of total revenues. This target was based on a production figure of 1.4 million barrels a day and at the \$ 34 price level. In February 1983, due to a continuing glut in the international oil market, production plummeted to 1.1 million barrels a day. With the drop in OPEC oil prices, the budget became unrealistic.

When the budget was drafted and submitted to Parliament in early January 1983, OPEC was still trying to maintain the price of oil at the \$ 34 level, and the Indonesian government on its part was negotiating for a larger production quota from the 1.3 million barrels a day figure. To remain credible, the Indonesian government could not do otherwise in drafting the budget. The budget, however, was not revised in the wake of falling oil prices, because of the determination of the government to sustain the momentum of develop-

ment. The government has already adopted belt-tightening measures, especially concerning the routine budget. Salaries of civil servants remain stagnant for two years in a row, and in January 1983 domestic prices of petroleum products were raised by over 50 percent in order to reduce government subsidies, which have amounted to about 22 percent of total routine expenditures in FY 1981/1982.

The devaluation, therefore, was also seen as a move to save the budget. If inflation can be held at a reasonable level, the move does make sense. There are worries, however, that the tight money policy introduced by the authorities from the beginning of the year could create a "crowding out" by the public sector. A tight credit policy, although consistent with the aims of the devaluation -- namely to restore external balance, would hurt the private sector, especially small- and medium-scale enterprises. Should this policy be applied indiscriminately over a longer period, the economy may ultimately be dominated by the public sector. This situation was exactly one which the New Order government in 1966 was determined to rectify.

Hadi SOEASTRO

The Private Sector in the Indonesian Industrialization Process

B.A. SURIADJAYA

INTRODUCTION

A country's industrialization has various goals. From the economic perspective, industrialization aims to modernize the economic structure so that national resilience may be increased, to provide new job opportunities, to increase productivity, to liberate the country from overseas dependence and to support the agricultural sector.

Industrialization¹ has not only economic, but also political, defence and social goals. Nonetheless, norms of efficiency in production, financing, marketing and labour must continue to play a major role in industrialization so that the products made are within the reach of society and are able to compete both in the overseas market and with imported goods in the domestic market.

To make industrialization a success the government has an important role to play in creating a healthy and stable economic climate, whereas the private sector has an important role in the promotion of entrepreneurship. Thus industrialization is major national project involving not only the government, but also the private sector.

This paper seeks to examine industrial development in Indonesia, with particular reference to manufacturing industry.

This article is translated from the Indonesian text of the paper presented at the Seminar on Industry, Jakarta 10-12 December, 1981, sponsored by CSIS. B.A Suriadjaya is a prominent industrialist in Jakarta.

INDUSTRIAL DEVELOPMENT IN INDONESIA

Compared to the other states of ASEAN, industrial development in Indonesia has come very late. Rapid growth has been seen especially under the government of the New Order, thanks to its efforts to promote industrial growth in the country.

Industrial development in Indonesia can be divided into two stages, the first commencing with Indonesia's independence and lasting to the end of 1966. The second has continued from 1967 to the present.

1945-1966

From the proclamation of independence, up to 1950, little attention was given to industrial development. This was due to the fact that during the revolution we were preoccupied with the defence of national independence and the unity of our new state, and had almost no time for industrialization. Only after the attainment of full sovereignty were efforts undertaken in this direction. In 1951 an "Industrialization Committee" was created, assigned with the task of offering suggestions to the government on the industrialization of Indonesia. In its report, the committee put forward the following views:

- That Indonesia's economic situation at this time (1951) forces the government to take the lead in the development of the economy, while also paying attention to private initiatives. Thus, the government is here to play the role as the "agent of development;"
- The goals of industrialization are: firstly, to attain a balanced economic structure; second, to absorb new labour as a result of population growth; third, to increase national revenue;
- The basis of industry is small-scale and medium-scale industry.

Then in the 1950s the National Planning Council (Depernas), the forerunner of today's National Development Planning Body (Bappenas), was created. Several blueprints were produced including an 8-year Overall Development Plan, beginning in 1961 and ending in 1969. Because of unstable political developments the results obtained were unsatisfactory. In the plan there were clear differences of emphasis and approach towards the industrialization strategy in Indonesia. It is still not clear what type of technology was to be used, as well as its prominence, in this process and whether the process was to be 100 percent government owned or a mixture of government and private enterprise.

1967-1981

Since the beginning of the New Order the direction of the industrialization process has become increasingly clear. Also, the attention given to urging industrial development, in addition to the development of the agricultural sector has become more apparent. This can be seen from Repelita I and Repelita II (First and Second Five-Year Development Plans). During Repelita III increasing emphasis is placed on the development of the industrial sector, which is expected to obtain even greater emphasis in Repelita IV.

In Repelita I industry was developed to support the agricultural sector. In Repelita II industries were developed that reprocessed raw materials into basic materials and in Repelita III the development of industries to reprocess basic goods into processed goods has increased. Later, in Repelita IV, the development of industry capable of producing industrial machinery, for both heavy and light industry, will increase. The industrial sector in the current Repelita III is expected to play an important part in realizing the Development Trilogy which is:

- The equal distribution of development and its results;
- Rapid economic growth;
- National stability which is healthy and dynamic.

During Repelita III economic growth is expected at the average to be 6.5 percent per year. In the same period it is estimated that the average growth rate of the industrial sector will reach 11 percent per year. The evidence of the last 10 years shows that the government has prepared a more extensive role for the private sector in the industrialization process.

Compared with the advanced states the position of Indonesia's industry is still in its initial stages, even embryonic in certain fields. The life of Indonesia's economy is still dominated by the agricultural and mining sectors. The main sources of foreign exchange earnings for Indonesia are exports of oil and agricultural produce, as raw materials and semi-processed goods. Indonesia's recent industrial growth has been fast in percentage terms and during Repelita II it reached 12 percent per year. The breakdown of this growth figure is: light industries 10-14 percent per annum, chemical industry 26 percent, metal industry 17-18 percent; whereas the growth of small-scale industry was only 5 percent per year.

During Repelita II the growth of labour employed in the industrial area was only 6 percent per annum.

The number of industries, based on the 1974-1975 industrial census is as follows:

| Scale | Total | Percentage |
|--|--------|------------|
| Small-scale industry (5-19 employees) | 48,221 | 87.2 |
| Medium-scale industry (20-99 employees) | 5,746 | 10.4 |
| Large-scale industry (100 employees and over) | 1,306 | 2.4 |
| Total | 55,273 | 100.0 |

From the simple analysis above it is increasingly clear that the industrial arena in Indonesia is still in its initial stages; there is still much that can be done and its horizons are still wide-open.

A large part of industry in Indonesia is small in scale and is still far from being able to satisfy the needs of the Indonesian people, who totalled 151 million in 1981. It should be clear that the establishment of more medium-scale and large-scale industries has become very urgent.

The Automobile Industry in Indonesia

The automobile industry plays a very important part in economic development in Indonesia, by facilitating the transport of passengers and goods. Although Indonesia consists of 13,667 islands (992 of which are inhabited), road transport clearly plays a part far greater than sea transport. According to a survey conducted by the Department of Communications in cooperation with the Department of General Works, of the more than 100 million tons of goods transported between regencies in 1980/1981 74 percent went via main roads, 22 percent by sea or river and only 4 percent by air. In the same year, of more than 500 million passenger journeys made, 92 percent went via main roads, 5 percent by rail, 2 percent by sea and only 1 percent by air. According to the study this was caused by the rapid growth of the automotive industry in Indonesia, apart from the improvement and extension of main roads. Nowadays, the number of cars in areas beyond Java is still too small, especially with development in the regions increasing steadily.

A comparison between the number of cars with the extent of the regions of Indonesia is as follows:

| Area | Numbers of Cars | Percentage | Breadth (sq km) | Percentage |
|---------------------------|-----------------|------------|-----------------|------------|
| 1. Sumatra | 176,766 | 17.10 | 473,606 | 24.67 |
| 2. Jakarta | 289,149 | 28.10 | 590 | 0.03 |
| 3. Java (outside Jakarta) | 453,495 | 44.00 | 131,597 | 6.86 |
| 4. Kalimantan | 30,617 | 3.00 | 539,460 | 28.10 |
| 5. Sulawesi | 37,216 | 3.60 | 189,216 | 9.86 |
| 6. Other regions | 43,294 | 4.20 | 584,974 | 30.48 |
| Indonesia | 1,030,537 | 100.00 | 1,919,443 | 100.00 |

The above data indicate that Java (including Jakarta) which comprises only 6.9 percent of the land area of Indonesia has absorbed 72.1 percent of the total number of cars in Indonesia whereas Jakarta, which comprises only 0.03 percent of the land area of Indonesia, has absorbed 28.1 percent of them. During the 1973-1979 period the number of cars in Indonesia rose by more than the rate of population growth. This can be seen in the ratio of cars per 1,000 inhabitants: from 1973 to 1979 the figure rose from 3.8 to 7.1 percent.

VARIOUS ASPECTS OF INDUSTRIALIZATION

The Industrialization Strategy

In the introduction it was mentioned that the goal of industrializations is in reality not only influenced by economic factors, but it also attends to social, political and defence factors.

In laying the basis for the industrialization process, it is important to determine which strategy must be used to achieve this goal.

From observations we have made, the direction and course outlined and taken by the Indonesian government has been most appropriate as follows:

- Developing basic industry, as the production source of goods needed for development and basic goods for medium and light industry, at the same time serving as a source of foreign exchange;
- Developing medium- and small-scale industries that substitute import-goods. Several production units that can make use of basic goods available

within the country, can also serve as sources of foreign-exchange. With accurate calculations and careful guidance it can be expected that industrial growth will be accelerated.

The Role of the Private Sector

In the 1978 Broad Guidelines of the State Policy it is mentioned that to promote the participation of a society in development, the expansion of the national private sector must be given serious attention. Certainly, in the development of the economy in general, and for industrial growth in particular, the private sector plays an important role. This can clearly be seen in the West as well as in Japan, where the private sector has been the prime mover of economic growth.

In the Asian region Japan pioneered economic growth in the 19th century. After obtaining much support from the government sector, in the second half of the 19th century a number of private "trading houses" appeared, later known as Sogo Shosha. The role of these trading houses was very great in Japan's economic development.

In several communist states, such as Yugoslavia and Hungary, the operations of the private sector are permitted within certain limits with the aim of promoting the agricultural sector, small-scale industry and services.

In Indonesia the role of private enterprise in the industrial field, in particular the manufacturing industry, is quite encouraging. Rapid growth in the manufacturing industry has taken place especially under the New Order. In the 1971-1980 period the rate of growth of GDP was 7.86 percent annually, but the rate of industrial growth was 13.80 percent annually. From 1971 to 1980 the share of the manufacturing industry in GDP increased from 8.8 percent in 1971 to 14.32 percent in 1980 (using constant 1973 prices).

The Role of the Government and Its Policy

Government, Cooperatives and Private Sector

Since Indonesia proclaimed its independence, in practice state corporations, private enterprises and cooperatives have directly involved themselves in economic development. State corporations have emerged to give substance to article 33 paragraphs 2 and 3 of the 1945 Constitution which provide that firstly: branches of production which are important for the state and which affect the life of the public shall be controlled by the state and, secondly: land and water, and the natural riches contained therein, shall be controlled by

the state and shall be made use of by the people. The cooperatives are economic institutions of a social nature. They are cooperative enterprises based on the principle of kinship and are also used as one of the principal vehicles for raising the well-being of the weaker economic groups. Private enterprise is owned and managed by the private sector, with its chief objective of gaining profit.

When we examine the development of these three institutions, it is clear that there are as yet no clear boundaries of their respective areas of operation.

It is evident that in the future more definite limits can be determined as to which sectors constitute the area of operation for government, private and cooperative enterprises.

Creating A Healthy Climate for the Growth of Private Investment

Private investment oriented to profit can be expected in the future and is, therefore, very much influenced by the existing investment climate. Elements influencing this climate can be specified as follows:

1. The Existence of Stable Business Conditions

In general, private investors follow current government policies and expect that these policies will not change in the future in a way that may prejudice such investors. Because of this it is very important that efforts be made as to have consistent government policy and regulation so that investors are not reluctant to invest in new enterprises.

2. Incentives to Investors

Incentives to investors are provided by the Capital Investment Coordination Board which include the following facilities:

- In the area of taxation: "unsourced" investment capital,¹ exemption from tax on capital for investment; tax holiday, investment allowances, exemption from dividend tax, compensation for loss, the accelerated abolition of tax; exemption from duties on transfer of ship title;
- Import duty: exemption/reduction of import duty and other charges on machinery/equipment used for production; exemption/reduction of im-

¹i.e. the source of which is never questioned by the government.

port duty and other charges on basic goods/inputs for a maximum of 2 years after their importation;

Transfer Guarantees: for foreign investors, (company profits according to taxation regulations); costs related to the use of foreign labour; the repayment of initial loans; depreciation for fixed equipment and compensation in the case of nationalization. It is very important that the provision of these incentives be maintained.

3. Supervision and Guidance

The programme outlined by the government in particular industrial fields (vehicles, electronics, and the like) commences with the assembly stage then should move in the direction of full manufacturing. Especially for joint-ventures with foreign capital, it is thought very important that there be government supervision and guidance to determine pragmatically the timetable for full-manufacturing so as to increase the value-added from the products manufactured and to use whatever technology transfer occurs.

4. Provision of Suitable Information

What is required by potential domestic investors is information on the areas of business open to them, the size of production compared to demand, existing production capacity, the location and the potential of the market, the income distribution of the population and so on. In Indonesia this type of information is still very scarce. Potential investors who are able to, can carry out their own studies or hand these studies over to consultants. At times the results are misleading because they are based on rough estimates. As a result, investment often occurs in the wrong direction causing great waste of capital. The existence of a competent source of information would be very helpful, especially for businessmen in the regions who due to their location and capacity have no access to this information. Imported data on various types of machinery as well as other requirements, would provide a description of the opportunities open to them to extent their operations.

Transfer of Technology

In the industrialization process technology is also a key factor. Technology results from research and development, so that technological progress is very closely tied to the funds available for research and development (R & D).

As an illustration, it can be suggested that the percentage of R & D funding of the gross national product of the advanced states fluctuates at around 2 percent, but in the developing states only around 0.2 percent. In view of the great differences in absolute terms between the GDP of the advanced states and that of the developing states, it can be imagined just how great is the absolute difference in R & D funding spent by the developing states compared to the advanced states.

Based on the above consideration, and keeping in mind that in R & D there is a "momentum effect" by which R & D is effective only on a large scale, we can conclude that it is not possible to "catch up" in the technological field by developing our own technology in particular fields. Because of this it is extremely important to accelerated the flow of technology from the advanced states to our own country. Eventually, the function of research should be able to be developed in Indonesia also.

The technological aspect is the most complex to the industrialization process. It is natural that the advanced states are more interested in selling their products to Indonesia than receiving royalties from the production process in Indonesia.

For the transfer of technology, cooperation between the government and private sectors is very important. In the case where the private sector increases its ability to transfer this technology, the government endeavours to systematize manufacturing regulations to permit this process to take place consistently and smoothly. The term 'protection' should be related here to the cost of technology transfer and not simply to the marketing of finished goods domestically.

High Cost Economy

We are all aware that because of the limitations to economic capacity there are still to be found obstacles to the development of industrialization in Indonesia. A few examples that may be mentioned are the scarcity of domestic capital, the high price of land, and the inadequacies of general infrastructures and so on. Even though we know that wages in our country are amongst the lowest, we should be aware that the link between wages and production costs is located in the labour productivity of the workers involved. In other words, our labour efficiency requires careful research as a comparative study so as to determine whether the low wage of employees in our country would actually be a determining factor for production costs that are more competitive.

The reduction of production costs can still be carried out by removing various costs factors in the areas of taxation, transport etc., so as to increase the competitiveness of production-especially production for export.

CONCLUSION

From the above analysis, the following conclusions may be drawn:

1. Industrialization has not only economic but also political, defence and social goals. Nevertheless, norms of efficiency in production, financing, marketing and labour must continue to play an important role in industrialization;
2. Industrialization constitutes a very major national project, not only involving the government sector, but the private sector also;
3. The industrialization strategy is to make products previously imported and to obtain foreign exchange from their export;
4. The role of private enterprise in the industrial field is of great significance. From 1971 to 1980 the share of the manufacturing industry in the GDP, rose from 8.8 percent in 1971 to 14.32 percent in 1980;
5. To create a secure investment climate for industry, the government should determine clearer boundaries as to which sectors constitute the field of government, cooperative or private enterprises. In addition, consistency in the policy and regulations of the government must be preserved. Similarly, it is expected that there will be guidance and follow-up from the governmental sector to achieve the programme of full-manufacturing. It is hoped that there will eventually be an information centre for potential investors to provide even wider opportunities for business people and to avoid wasting capital as a result of misdirected investment;
6. The government and private sectors must both communicate with each other in trying to reduce production costs;
7. Eventually the government should encourage the private sector, at the right time, to develop R & D as the backbone of industrialization.

Status and Prospect of Indonesian Coal Development

Achmad PRIJONO and Adnan KUSUMA

HISTORICAL BACKGROUND

Indonesia's coal potential are well known since long before World War II. The former colonial Netherland Indies Government started exploitation of coal from the Ombilin mine, Sawahlunto - West Sumatra since 1892, to fuel Dutch steamships which called on the Harbour of Padang before resuming their journey to Holland.

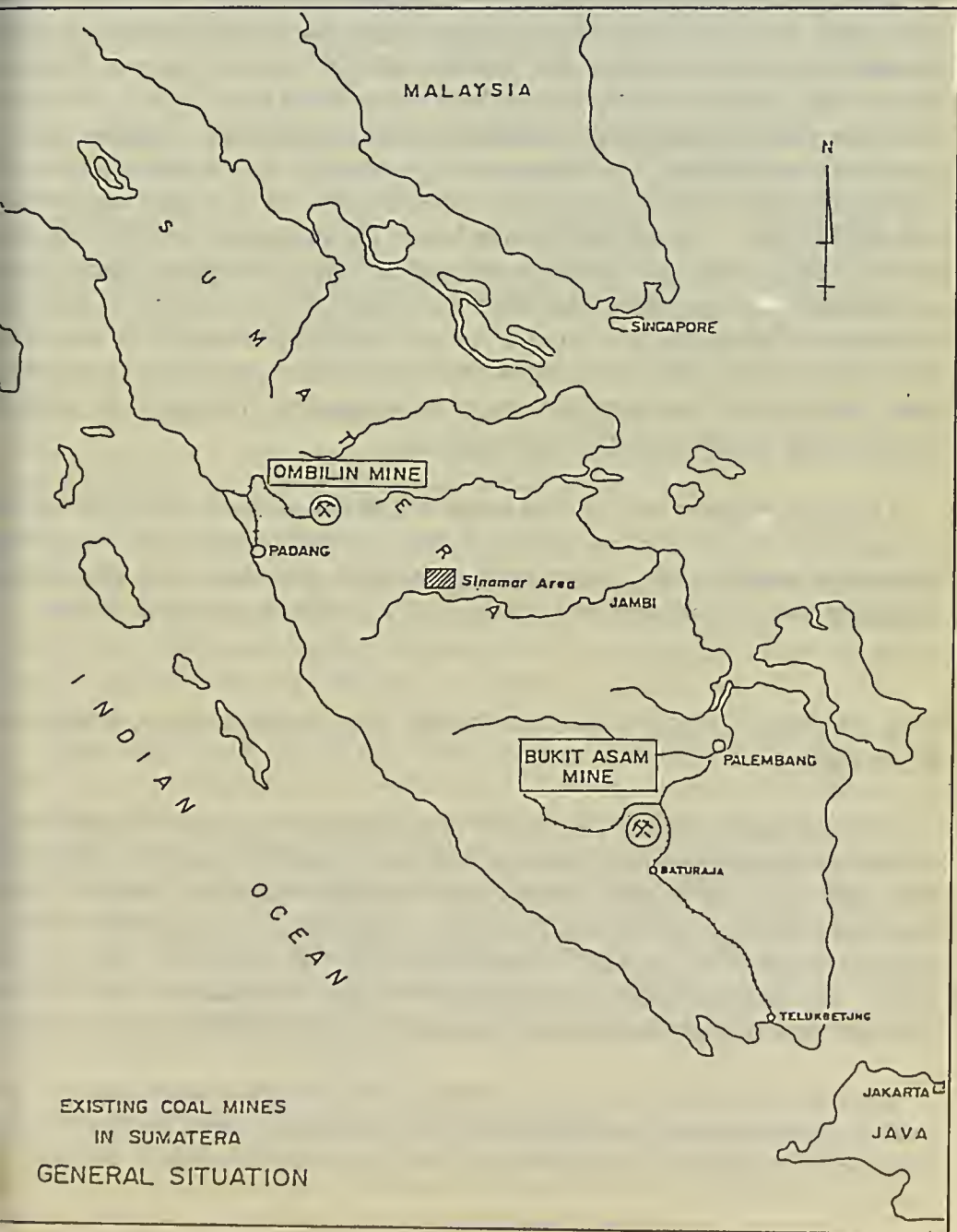
A second mine, the Bukit Asam Coal Mine near Tanjung Enim (South Sumatra) was started by the East Indies Government in 1919, essentially to cope with the increased demand from industry, railway as well as from the former Dutch merchant fleet (KPM). Since ocean and interinsular sea transportation were largely maintained by coal fired steamships and most of the railway traffic in Java and Sumatra in pre-war years also had relied mainly on coal as fuel, production from both mines flourished, reaching all time high levels of up to nearly 5 x current production rates. Coal production from both mines plus some other private mines in East Kalimantan amounted to 2 million ton a year shortly before World War II and was never equalled thereafter.

After the Japanese occupation, both State-owned Mines were left in quite a desolate and disorganized situation but mining continued through the efforts of the remaining Indonesian mining labour and the few supervisory and technical staff left after tumultuous years.

Updated version of the paper presented at the ASCOPE '81 Conference, Manila, 7-9 October 1981. Achmad Prijono is currently the President Director of PN Tambang Batubara, and Adnan Kusuma is adviser to the Board of Directors of PN Tambang Batubara.

Understandably production went down drastically especially at the Ombilin underground mine which during the revolution years was quite isolated and neglected. Pre-war production rates of 500,000 - 600,000 ton were never reached thereafter; in fact, after the war and until just recently when produc-

Map 1



tion showed an upward trend again, production seldom exceeded the 100,000 ton figure.

The Bukit Asam mine after the collapse of the Japanese occupational forces was soon reoccupied by advancing Dutch colonial troops and rehabilitation started shortly afterwards. The old deepmine was abandoned and open-pit mining using newly mobilized heavy equipment continued at the Air Laya mine field. The rapid production increase soon after the end of the war with production levels at a comfortable 500,000 - 600,000 ton per year was illustrative for the speedy recovery of the Bukit Asam Mine (see Table 1). Production rates up to the late fifties resembled pre-war levels but sometime thereafter decreased rapidly. Two factors were responsible for the deterioration of production, which reached its deepest point in 1973, i.e. a meager amount of only 66,985 ton for the Bukit Asam Mine. The main cause initially was the lack of funds (especially foreign exchange) to import necessary spare parts and replacement equipment; the other factor was attributable to the entry of the period of cheap oil. This latter effect was especially noticeable in the early sixties when most of the steam-locomotives of the State-owned Railway Company (DKA) were changed into diesel prime-movers, following an earlier similar trend in the sea transportation sector.

This general move into oil fuel usage was understandable when one takes into account the inconsistent supply of coal as consequence of the declining production and the poor transportation facilities prevailing at a time when Indonesia was still plagued with many political and economical problems.

THE PERIOD AFTER THE OIL-CRISIS: THE INDONESIAN ENERGY SCENARIO

The well known oil-crisis in 1973-1974 was in many ways and certainly with respect to the energy supply sector a blessing in disguise. Industrial countries with little or no oil reserves sensing their vulnerable position, changed their attention and efforts to the application and development of alternative energy sources: in 1977 the WAES¹ report concluded that only two sources of energy, viz. *coal* and *nuclear* are capable of large expansion to provide the principal part of additional global energy needs until the end of this century.

Knowing their country's coal potential and other prospective energy resources like hydropower and geothermal, the message delivered by the oil crisis was quickly grasped by the Indonesian policy makers in the energy sector.

¹Workshop on Alternative Energy Strategies.

Diversification of energy resources and as a first concrete step the application of coal for power plants and industrial usage, such as the firing of cement plants should deserve first priority. The adoption of a deliberate well conceived plan and their proper implementation for the development of alternative energy sources is imperative, since Indonesia is currently basing a substantial part of its foreign exchange proceeds on the export of crude-oil and its products. As shown in the following figures, the prospects of other energy resources in Indonesia are quite promising.

POTENTIAL OF ALTERNATIVE ENERGY RESOURCES IN INDONESIA

| Natural Gas ¹ | Coal | Geothermal ² | Hydropower |
|--------------------------|-------------------------|-------------------------|------------|
| 34 - 122 trillion SCF | At least 18 billion ton | 8,000 - 10,000 MW | 31,000 MW |

¹ Alternative strategies for energy supply in Indonesia 1978-2003.

² Geothermal Energy Development in Indonesia (Paper presented at First Meeting of the Indonesia-Japan Joint Energy Committee, September 7-8, 1981.

Nearly 70 percent of the foreign exchange earning of Indonesia amounting to US\$ 20.8 billion in 1980 was derived from the export of crude oil and for the proper implementation of its continuous 5 years development programs (Repelita), Indonesia indeed badly needs above export proceeds from oil.

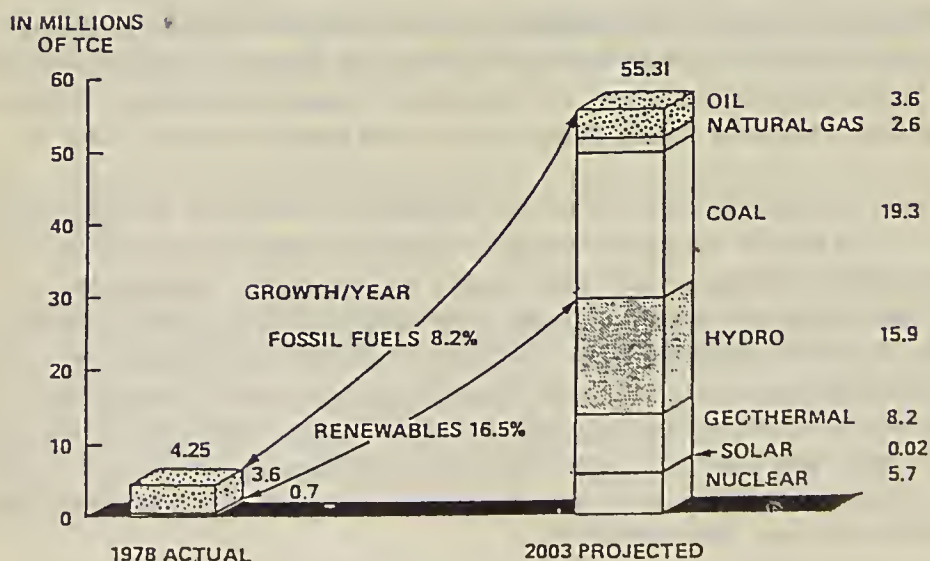
Since subsidized, domestic oil consumption in Indonesia increases at the rate of 12.3 percent per year, every effort should be made to encourage the use of alternative energy sources and to save oil for export purposes only. For the time being, in view of the rapid development of coal fired powerplants -- like the Suralaya power plant which is now in the construction stage -- and anticipating the construction and expansion of numerous cement plants at several sites in the archipelago which should be on stream in the next few years, coal seems to be the best alternative and practical solution to counter the sudden, alarming rise of energy demand foreseen to occur in the mid-eighties and some time thereafter.

Another aspect which concerns the Government is that total electric energy consumption has tripled during the last 10 years (12.4 percent/annually) and is likely to continue to grow as industry expands, electric power is more widely distributed and the average family income increases.

Of the four main sectors in energy consumption i.e. electric generation, industry, transportation and household the growth figures in the last 10 years (1968-1978) has been respectively 12.4 percent, 8.5 percent, 11.6 percent and 10.9 percent or an average total consumption growth of 10.5 percent² annually. With a current (1978) installed capacity of 4,000 MW, a projected installed capacity requirement of at least 42,100 MW in the electric generation sector will emerge for the year 2003, although the overall growth rate in the period 1978-2003 is expected to decline from 12.4 percent (1968-1978) to 11.6 percent annually.

Though other alternative energy sources such as hydropower, geothermal, nuclear and natural gas (besides a relatively reduced role of oil) will be applied to its maximum potential, the role of coal with a total contribution of 19.29 million TCE or 37.2 percent of the whole consumption need in the electrical sector by the year 2003 (for a projected GDP increase of 6.5 percent annually) is quite significant (see diagram below).

FUELS FOR ELECTRICITY GENERATION (total growth = 10.8 percent per year)



²BPPT and Bechtel's Study: Alternatives Strategies for Energy Supply in Indonesia 1979-2003 (December 1980).

TERTIARY COAL BEARING FORMATION OF INDONESIA

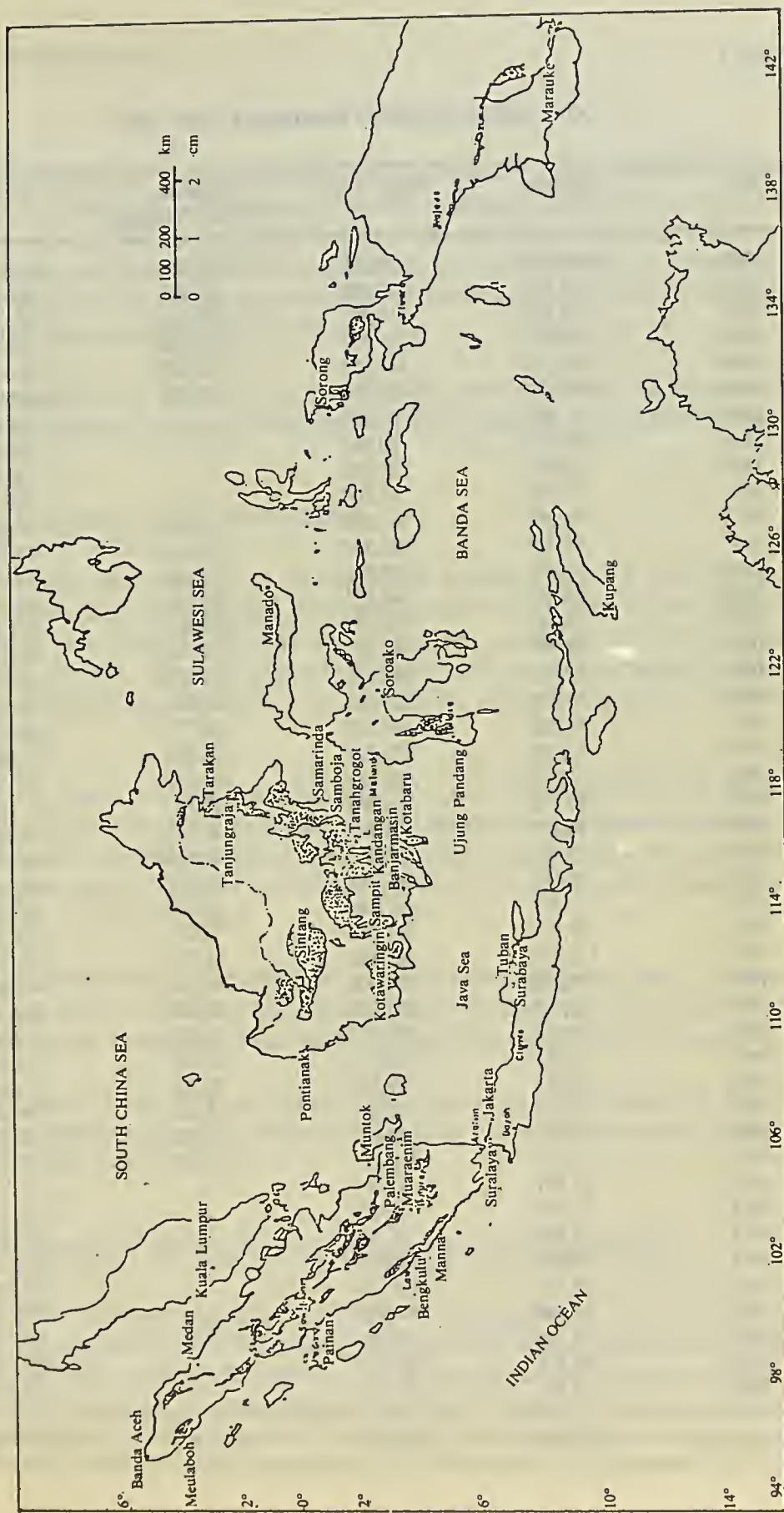


Table 1

COAL PRODUCTION IN INDONESIA, 1936 - 1980

| Year | Ombilin | Bukit Asam | Mahakam/ Private Company | Total |
|-------------|-----------|------------|-----------------------------|------------|
| 1936 | 400,990 | 338,292 | 403,914 | 1,143,196 |
| 1937 | 463,317 | 433,027 | 467,252 | 1,363,596 |
| 1938 | 516,825 | 455,957 | 483,865 | 1,456,647 |
| 1939 | 590,743 | 631,663 | 558,236 | 1,780,642 |
| 1940 | 577,616 | 847,835 | 548,229 | 1,973,680 |
| 1941 | 537,738 | 863,706 | 607,530 | 2,008,974 |
| 1942 | 301,221 | 33,200 | — | 334,421 |
| 1943 | 228,724 | 69,900 | — | 298,624 |
| 1944 | 92,879 | 54,800 | — | 147,678 |
| 1945 | 72,780 | 34,200 | — | 106,980 |
| 1946 | 50,391 | 184,208 | 76,563 | 311,162 |
| 1947 | 49,728 | 162,738 | 138,643 | 351,109 |
| 1948 | 40,947 | 359,900 | 179,866 | 580,713 |
| 1949 | 24,313 | 446,652 | 191,596 | 662,561 |
| 1950 | 56,386 | 558,877 | 184,202 | 799,465 |
| 1951 | 48,870 | 647,927 | 170,526 | 867,323 |
| 1952 | 67,018 | 688,181 | 213,434 | 968,633 |
| 1953 | 59,815 | 628,445 | 209,055 | 897,315 |
| 1954 | 78,622 | 647,167 | 167,712 | 893,501 |
| 1955 | 84,954 | 552,128 | 176,990 | 814,072 |
| 1956 | 75,318 | 604,236 | 148,391 | 827,945 |
| 1957 | 90,912 | 554,823 | 71,953 | 717,688 |
| 1958 | 59,357 | 502,996 | 57,326 | 619,679 |
| 1959 | 37,791 | 563,510 | 39,569 | 640,870 |
| 1960 | 77,606 | 549,781 | 32,719 | 660,106 |
| 1961 | 103,709 | 425,649 | 31,028 | 560,386 |
| 1962 | 89,911 | 351,080 | 30,005 | 470,996 |
| 1963 | 110,037 | 443,146 | 38,173 | 591,356 |
| 1964 | 97,272 | 307,408 | 41,182 | 445,862 |
| 1965 | 93,047 | 257,290 | 40,212 | 390,549 |
| 1966 | 100,655 | 185,040 | 34,288 | 319,983 |
| 1967 | 66,487 | 121,834 | 20,042 | 208,363 |
| 1968 | 68,853 | 91,003 | 16,358 | 176,214 |
| 1969 | 69,282 | 112,701 | 8,232 | 190,215 |
| 1970 | 77,285 | 90,982 | 4,082 | 172,349 |
| 1971 | 89,731 | 108,226 | — | 197,957 |
| 1972 | 87,971 | 91,269 | — | 179,240 |
| 1973 | 81,841 | 66,985 | — | 148,826 |
| 1974 | 78,805 | 77,350 | — | 156,155 |
| 1975 | 76,095 | 130,293 | — | 206,388 |
| 1976 | 60,151 | 122,759 | — | 182,910 |
| 1977 | 81,020 | 149,607 | — | 230,627 |
| 1978 | 87,116 | 177,065 | — | 264,181 |
| 1979 | 92,318 | 186,271 | — | 278,589 |
| 1980 | 142,830 | 161,160 | — | 303,990 |
| Grand Total | 6,439,276 | 15,071,267 | 5,391,173 | 26,901,716 |

Relevant figures are 28.6 percent for hydropower, 14.8 percent for geothermal, and 9.8 percent for nuclear power. A similar picture in the industry sector is provided by the cement industry where the current capacity (1980) of 8.5 million ton annual cement production will be boosted to double (17 million ton) by 1985, requiring an additional coal supply of about 1.5 million ton in the time span of about 4 years.

Development of the known potential coal areas to meet the immediate needs, if necessary with the adoption of crash programs is therefore crucial.

COAL POTENTIAL IN INDONESIA

The main coal deposits in Sumatra and Kalimantan (and some smaller deposits also in Java, Sulawesi and Irian Jaya) are confined to the Tertiary age. They vary from sub-bituminous, hard, lustrous coal to lignites with high moisture content. The old Tertiary, Eocene coals are to be found in West Sumatra (Ombilin) and some areas in North Eastern and South Eastern Kalimantan.

Young Tertiary coals are frequently found in the marine basins in the Southern part of Sumatra (Bukit Asam and Banko) and in Eastern Kalimantan. Part of these coals in the Air Laya area (Bukit Asam) has been up-graded into higher ranks by locally intruding andesites, resulting in the formation of anthracite and natural cokes.

Since systematic coal exploration was very limited in the past, reported figures on proven, indicated and measured reserves are often very conservative and very small compared to the more recent estimates of real coal potential.

The next Table 2 gives an illustration of the current knowledge of the Indonesian coal reserves. A representative analysis of the old and young Tertiary coals are shown in Table 3.

DEVELOPMENT OF THE COAL POTENTIAL IN INDONESIA

The first large development and exploration program on coal after the oil crisis, was started by Shell Mijnbouw, who after signing an exploration agreement with PN Tambang Batubara in 1974, commenced a systematic drilling program in Banko and surrounding areas (South Sumatra). In the following two years Shell found a huge and prospective coal deposit in the Banko area amounting to 15 billion ton, down to a cut-off depth of 100 metres.

Table 2

SUMMARY OF COAL RESERVES IN INDONESIA (tons)

| Location | Measured | Indicated | Inferred |
|--|-------------|-------------|-----------------------------|
| 1. Ombilin Mine, West Sumatra | 92,291,400 | 9,994,500 | 85,000,000 |
| 2. Sinamar Area, Jambi | — | 106,000,000 | — |
| 3. Bukit Asam Mine, South Sumatra (1978) | 101,170,041 | 48,687,486 | 13,287,537 ¹ |
| 4. Banko Area, South Sumatra | 435,000,000 | — | 15,000,000,000 ³ |
| 5. Araham Area | — | — | 220,000,000 |
| 6. Air Serelo Area | — | — | 15,000,000 |
| 7. Air Lawai Area (North) | — | — | 66,000,000 |
| 8. Suban Jeriji Area | — | — | 485,000,000 |
| 9. Loa Kulu | — | 34,910,000 | — |
| 10. Loa Haur | — | 14,760,000 | — |
| 11. Prangat Area | — | 193,980,000 | — |
| 12. Sungup-Selaro Area NW Part of P. Laut | — | 11,000,000 | — |

¹ Exploration after 1978 has found additional measured reserve, exact figures not yet reported.

² Coal prospect areas surrounding Bukit Asam Mine. Figures are given in cubic meters.

³ For the whole area of the South Sumatra basin minus the Bukit Asam mine area, Shell's estimate of the volume of available coal up to a depth of 100 metres is 15 billion m³.

Compiled by Hardjono 1980.

Table 3

BUKIT ASAM COAL SPECIFICATIONS
(YOUNG TERTIARY)
PROXIMATE ANALYSIS

| Description | Basis | Steam Coal | Anthracite Coal |
|-------------------|-------------|-------------------------|-----------------|
| Total moisture | As-received | 20 - 30% | 6% |
| Inherent moisture | Air-dried | 11 - 14% | 2% |
| Ash | Dry | 4 - 7% | 8% |
| Volatile matters | Dry | 40 - 45% | 13.5 - 18% |
| Fixed carbon | Dry | 48 - 54% | 75 - 81% |
| Calorific value | Air-dried | 6.250 Kcal ¹ | 8,000 Kcal |
| Sulphur | Dry | 0.3 - 0.6% | Less than 1% |
| Size | | 0 - 40 mm | 0 - 30 mm |

¹ 6,250 - 6,600 Kcal/kg.

Table 4

**OMBILIN COAL SPECIFICATIONS
(OLD TERTIARY)
PROXIMATE ANALYSIS**

| Descriptions | Basis | Steam Coal |
|-------------------|---------------|-------------|
| Total moisture | As - received | 11% |
| Inherent moisture | Air - dried | 5% |
| Ash | -ditto- | 6 - 10% |
| Volatile matters | -ditto- | 36 - 38% |
| Fixed carbon | -ditto- | 48 - 52% |
| Calorific value | -ditto- | 7,000 Kcal. |
| Sulphur | -ditto | 1% max. |
| Size | | 0 - 40 mm |

Table 5

PROXIMATE PERCENTAGE ANALYSIS OF BANKO COAL

| Analysis | N.W. Banko | C. Banko | S.E. Banko |
|------------------------------|---------------|---------------|---------------|
| Total | 27 - 31 | 35 - 39 | 40 - 50 |
| Ash | 3 - 6 | 3 - 6 | 3 - 6 |
| Fixed carbon | 47 - 49 | 47 - 49 | 44 - 46 |
| Total sulphur, less than | 0.5 | 0.5 | 0.5 |
| Volatile matter | 47 - 49 | 47 - 49 | 50 - 52 |
| Calorific value (Kcal/kg) | 6,900 - 7,250 | 6,650 - 6,800 | 6,300 - 6,600 |

This coal, though possessing a reasonable calorific value of around 6,500 Kcal/kg - 6,700 Kcal/kg contains a high moisture content of around 35 percent.

The unfavourable world market prices for coal in 1977, combined with the high moisture content in the Banko coal which necessitated the construction of an extra dryer, or otherwise would have presented additional transportation costs, were the reasons for preventing Shell Mijnbouw from proceeding with the project.

Since the cancellation of Shell Mijnbouw's Banko project, which was a setback for the development of Indonesia's coal potential, the Government con-

centrated its attention on the expansion and development of the Bukit Asam Coal Mine.

The Government of Indonesia is quite aware of the fact that with the increasing trend of oil prices and the essential role of oil in the country's foreign exchange earning, the highest priority should be given to the exploitation of domestic steaming coal resources; first as a measure to preserve oil for export but of no less economic importance, to provide cheaper fuel for the expected, ever increasing energy requirements of steam powerplants and cement factories presently in the construction stage or planned to be built in the near future.

An interdepartmental team for development and transportation of Bukit Asam coal called KP5BA was assigned for embarking on a programme of stepping up production from the present level of around 160,000 ton to 3.5 million ton by 1986 (see Table 6) and ca 3.8 million ton by 1987. Implementation of the project had started early 1981 with the formation of a separate entity, the State-owned PT Bukit Asam Coal. Project management of the mine was assigned to BAMCO a joint venture between Rheinbraun/Morrison Knudsen and the Bukit Asam Mining Co.

Around 2.5 million ton annually would be transported to Suralaya on the Northern tip of Banten, West Java to be used as fuel for a huge coal fired power plant (2 x 400 MW). It will initially be transported overland by railway from Tanjung Enim to Tarahan North, Lampung Province (a terminal located in the Lampung Bay) and from hereon it will be loaded into a 10,000 DWT coal ship which will shuttle the distance oversea across the Strait of Sunda between Tarahan and Suralaya (see Map 3).

The balance of coal production will be used to feed the Baturaja cement plant and the 3 x 65 MW Bukit Asam Power plant now already on the drawing board, while the Bintan alumina plant is also scheduled to take coal from Bukit Asam somewhere around 1986. The projected total investment sum of the Bukit Asam Coal Project is around US\$ 1,123.9 million most of it comprising secured loans from the World Bank and export credits from countries like Canada and West Germany, while the balance will be supplied from the State Budget.

The second Government coal project is the expansion of the Ombilin mine near Sawahlunto in West Sumatra. The mine development plan of Ombilin represents a crash program comprising the expansion and increased production of the existing open pit mine, Tanah Hitam, the expansion and increased production of the existing deepmine, Sawah Rasau, by the introduction of a

Map 3

BUKIT ASAM COAL MINING DEVELOPMENT AND TRANSPORT PROJECT



Table 6

PROJECTION II
 PRODUCTION OF EAST AND SOUTH KALIMANTAN STARTING WITH
 1.5 MILLION TON FROM 1987 (MEDIUM PROJECTION)
 ESTIMATE PRODUCTION VS ESTIMATE STEAMING COAL CONSUMPTION
 1982-1990
 (in ,000 ton)

| Production/Consumption | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|-------------------------------|------|------|-------|-------|-------|-------|--------|--------|--------|
| <i>1. Production Unit</i> | | | | | | | | | |
| - PT Tambang Bukit Asam | 200 | 400 | 611 | 1,522 | 3,483 | 3,483 | 3,483 | 3,483 | 3,483 |
| - PN Tambang Batubara Ombilin | 300 | 425 | 435 | 750 | 900 | 1,050 | 1,150 | 1,350 | 1,350 |
| - Banko | — | — | — | — | — | — | — | 500 | 1,000 |
| - East & South Kalimantan | — | — | — | — | — | 1,500 | 5,000 | 9,000 | 12,000 |
| - Others | 5 | 5 | 10 | 20 | 25 | 50 | 50 | 75 | 100 |
| Total Production | 505 | 830 | 1,056 | 2,292 | 4,408 | 6,083 | 9,683 | 14,408 | 17,933 |
| <i>2. Consumers</i> | | | | | | | | | |
| - Cement Factories | 185 | 200 | 320 | 580 | 1,030 | 1,175 | 1,215 | 1,215 | 1,215 |
| - Power Plant | 40 | 40 | 655 | 1,750 | 2,870 | 3,670 | 6,460 | 10,100 | 13,100 |
| - Railways | 35 | 65 | 50 | 15 | 15 | 15 | 15 | 15 | 15 |
| - PT Timah Bangka | 25 | 25 | 50 | 75 | 125 | 125 | 125 | 125 | 125 |
| - Bintan Alumina Plant | — | — | — | 300 | 340 | 340 | 340 | 340 | 340 |
| - Own Use & Others | 30 | 50 | 70 | 90 | 90 | 90 | 90 | 90 | 90 |
| Total Consumption | 315 | 380 | 1,145 | 2,810 | 4,470 | 5,415 | 8,245 | 11,885 | 14,885 |
| Surplus/Deficit | +190 | +450 | -89 | -518 | -62 | +668 | +1,438 | +2,523 | +3,048 |

mechanized long-wall caving mining method and the opening up of a new underground mine in Waringin, the latter being projected to start production by 1986.

The step-by-step production increase resulting from the simultaneous development of open pit and underground mines in Ombilin as shown in Table 6 will reach a maximum of 1.35 million ton by 1989 when the Waringin mine is projected to achieve its designed full production capacity (600,000 ton a year).

However, the mine development project is only part of a wider integrated development project. In order to make the venture work and to get the coal out of the Sawahlunto region, the rehabilitation of the existing railway-track between Sawahlunto and Teluk Bayur and further on to the Indarung cement factory, the biggest customer of Ombilin coal in the area, is most essential. And since part of Ombilin's production is also planned for supply elsewhere viz. to a cement plant in Madura (East of Java), the construction of a separate wharf for the loading of coal into specially built coalships at the presently very congested Teluk Bayur harbour, becomes another necessity.

Additional rolling stock for the railway to increase coal hauling capacity, a coal stockyard terminal and coal loading/transportation facilities at the harbour site, will complete the projected development program for increased production and supply of Ombilin coal, which on the whole will involve an investment plan of around US\$ 250 million until 1986. However, an ever increasing deficit of supply of coal is projected for the period beyond 1984 as shown in former Table 6.

Therefore, the Government has a third development program in mind viz. the development of the prospective huge coal deposits in North-East, East and South East Kalimantan, earmarked for cooperation with foreign private or national private investors.

COOPERATION ON COAL IN NORTH-EAST, EAST AND SOUTH-EAST KALIMANTAN WITH FOREIGN PRIVATE ENTERPRISES

The occurrence of numerous coal seams ranking from brownish lignite to high calorific, black, lustrous sub-bituminous and bituminous coal in North-East, East and South-East Kalimantan were described extensively in the well-known publication of Prof. R.W. Van Bemmelen i.e. the *Geology of Indonesia* published shortly after the end of the Pacific War (1949). Private owned coal mines, operating since long before the outbreak of the Pacific

war and continued some time thereafter, located o.a. in the Tenggara district along the Mahakam river, the region of S. Kelai and the Berau river and the Northern part of P. Laut, were ample proof of this fact.

Those mines largely owned by Dutch interests as a.o. Coal Company Parapattan Ltd. and East-Borneo Coy. were shortlived because of the prevailing political situation and also because of the decreasing demand in coal as an effect of the cheap oil era. Prewar production levels were already in the order of 600,000 ton/year as compared to around 180,000 - 200,000 ton in the post-war period before relations worsened between the Netherlands and Indonesia (1957). But all of these is past history now.

After the change of Administration in 1966/1967, the New Order Government under President Soeharto with a distinct, pragmatic view to national development and foreign investment (viz. the need of attracting foreign capital for acceleration of development objectives), issued Law No. 1/1967 on foreign capital investment and Law No. 11/1967 on the basic provisions of mining. The influx of foreign mining companies after this new open-door policy of the Government of Indonesia, especially in the oil & gas sector is common knowledge. In this particular sector of oil & gas for instance, until the end of August 1981; 52 companies (or joint venture) had signed contracts with Pertamina based on the production sharing system, 3 companies had signed Contract of Work (COW) agreements and 11 contracts were signed under the so-called Joint Operating arrangements.

Cooperation in the mineral sector were mainly on the Contract of Work basis and had been developing from the 1st Generation type COW Agreements (Freeport Indonesia Inc.) into the 2nd Generation type (PT INCO Indonesia, PT Pacific Nikel Indonesia, PT Riau Tin etc.) and ultimately after issuance of Presidential Decree No. 21 dated 1976, into the 3rd Generation type COW contracts.

As described earlier, the awareness of diversification of energy resources came after the oil-crisis, the subsequent increase of oil prices thereafter and as a consequence of the need to free oil for export purposes only. In view of the limitations imposed on the development and expansion of both state owned companies, not the least resulting from the constraints associated with the improvement of rail haulage capacity, especially with regard to the West Sumatra region, the Government had to press ahead and act fast in developing other prospective areas.

However, realizing: (1) the long lead time required for coal mining development, (2) the high risk capital involved for investment in such mining

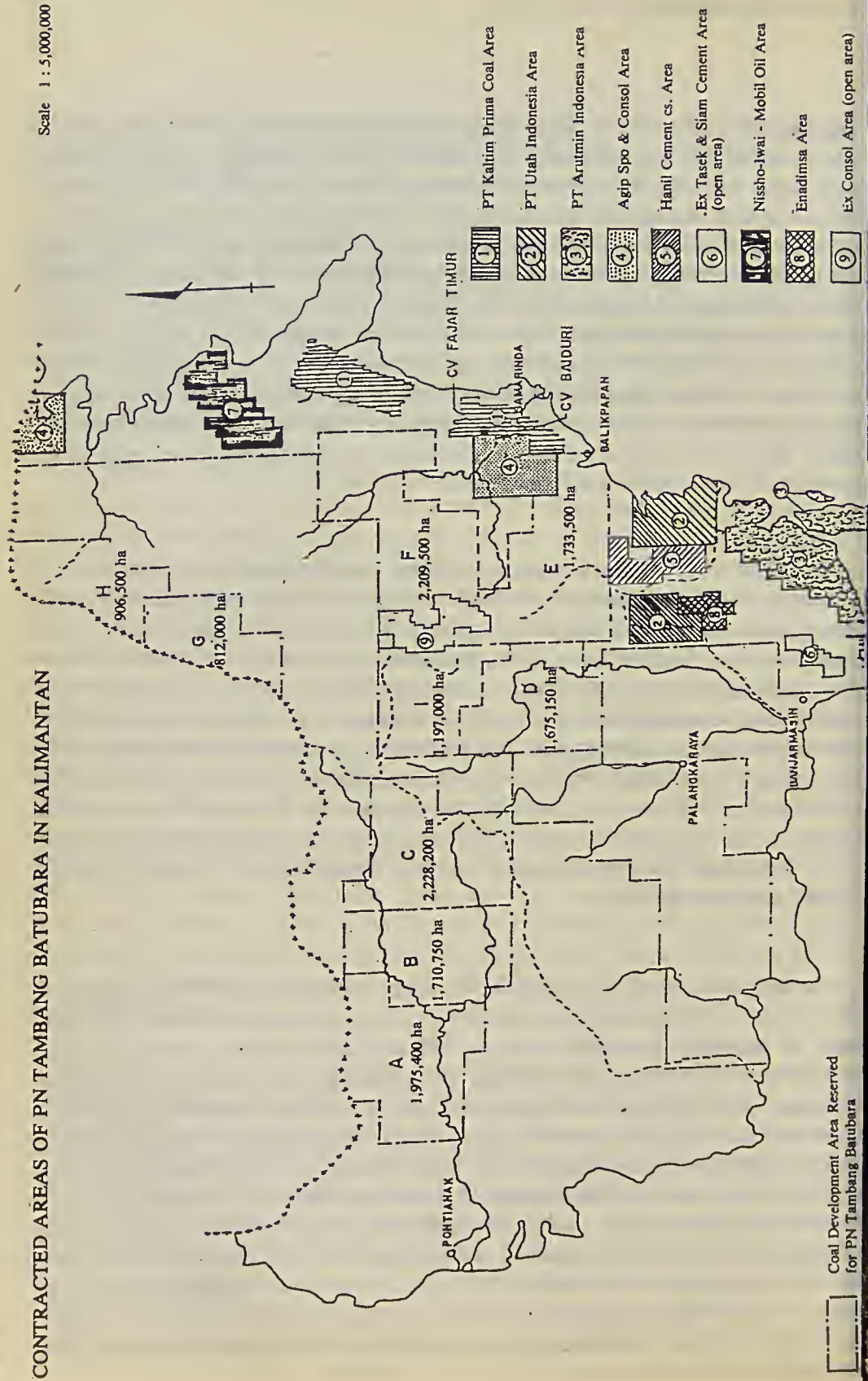
ventures in which, (3) in most cases significant, additional investment costs are required for the necessary infrastructure like transport roads, railways and ports and (4) the present shortage of indigenous skilled manpower, technical and managerial personnel, the Government has in time embarked on a policy of inviting foreign investors to cooperate with PN Tambang Batubara, the State-owned coal company, to develop the vast and potentially rich coal region of Kalimantan. The specific cooperation agreement on coal for the East and South-East region of Kalimantan, based on Law No. 1/1967 and Law No. 11/1967 mentioned earlier, forms in fact a variation of the Contract of Work type arrangement, containing certain elements of the oil production-sharing type agreements, although the allotment of the guaranteed share in kind is derived from total production rather than from total gross profit as is the case with oil agreements.

In 1978, PN Batubara started a limited international tender for the exploration and development of 8 (eight) blocks with coal potential in East & South-East Kalimantan region stretching from the Northern border with Serawak to an area adjacent to Banjarmasin in the South (see Map 4). From the original six companies who responded to the tender, in the course of time 1 (one) company pulled out, but the remaining companies, some joined by new partners or forming new combinations, continued the lengthy negotiations which were often interrupted and stretched out because of the initial, substantial differences in views between the parties. Two key issues forming the main stumbling blocks were the amount of the guaranteed share of product to be submitted by the contractor and the formation of a locally founded limited company (PT).

At last, the start of the year 1981 brought a fresh new breeze in the negotiation, when the foreign parties yielded to both conditions: to submit 13.5 per cent of annually produced coal to PN Batubara and to form a limited company (PT) in Indonesia. In May 1981, the first agreement was initialled between PN Batubara and a joint-venture of Atlantic Richfield Indonesia Coal Inc. and Utah Exploration Inc., which subsequently were followed in quick succession by agreements with Utah (June), with Rio Tinto (since then replaced by a joint-venture between Conzinc Rio Tinto of Australia Ltd., and British Petroleum Ltd.) in July and finally the agreement with a joint venture of Agip (Overseas) Ltd., and Consolidation Coal of Indonesia Ltd., was initialled at the first of September 1981. Before the actual signing of those contracts, the initialled agreements would have to pass consultation with Parliament after which a Presidential Decree on the cooperation on coal will be duly issued.

CONTRACTED AREAS OF PN TAMBANG BATUBARA IN KALIMANTAN

Scale 1 : 5,000,000



Coal Development Area Reserved for PN Tambang Batubara

SOME SPECIFIC POINTS OF THE AGREEMENTS ON COAL ARE:

1. Contractor's Obligations

- a. The contract time stipulates a standard 8 year period for survey, exploration, feasibility study and construction;
- b. Contractor is to submit 13.5 percent of the annual production to PN Batubara;
- c. Contractor is subjected to the payment of 35 percent corporation tax from the taxable income for the first 10 years of operation which increases to 45 percent from the 11th year and beyond;
- d. Regional taxes to be paid at an agreed lump sum payment as specified in the Contract;
- e. For the contracted working area depending on the size a proportional dead rent payment is to be paid to PN Batubara;
- f. After the end of the 10th year of operation a total of 51 percent of shares should be offered for sale to Indonesian nationals or entities;
- g. If a requirement for large quantities of coal develops in Indonesia contractor is to sell all or part of its coal to PN Batubara. Selling price for that delivery shall be equal to current average prices for sale in the Southwest Pacific Regions.

2. Contractor's Rights and Facilities

- a. Contractor is given the right to exploit the area for the duration of 30 (thirty) years;
- b. Losses suffered during the first 5 years of operation may be carried over into the following years;
- c. Contractor may apply accelerated depreciation on the invested capital;
- d. An investment allowance amounting to 20 percent off the total investment, stretched over a period of 4 operating years;
- e. Contractor is allowed to transfer in any currency without limitations:
 - net-profit of the operation in proportion to share-holding by foreign participants;
 - installments of foreign loans and their interest;
 - funds generated through depreciation of imported capital assets;
 - proceeds from the sales of shares by foreign shareholders to Indonesian nationals;
 - compensation in case of nationalisation;
- f. Contractor is allowed to export their products (including import to their own country) provided due consideration is given to the host country's needs of coal in the relevant year.

To date all above companies had concluded the signing of a cooperation contract with PN Batubara.

Three of them with exception of the joint-venture between CRA and British Petroleum, had respectively signed a contract with PN Tambang Batubara on the 2nd of November 1981 as soon as the concerned Presidential Decree No. 49 on "The basic provisions pertaining to the Coal Development cooperation agreement between the Coal Mining Enterprise and Private Contractors" was promulgated on the 28th of October 1981.

The joint-venture of CRA and BP who meanwhile had formed a local company PT Kaltim Prima Coal signed the contract in April 1982 which was duly followed by two new applicants (contenders): PT Kideco Jaya Agung, owned by a Korean Consortium and PT Adaro Indonesia, formed by a Spanish State Company at the end of the year.

In total, up to the end of 1982, six companies had concluded a cooperation contract with PN Tambang Batubara, covering an area of about 4,000,000 ha.

The participation of above companies in the development of coal potential in Indonesia, will definitely signal the heralding of a new, large scale coal development era never before recorded in the history of coal mining in Indonesia.

National Development, Transmigration Models and Demographic Trends in Indonesia

Sediono M. P. TJONDRONEGORO

INTRODUCTION

For over three quarters of a century since 1905 a tremendous lot of experiences in inter-island migration as a government sponsored program has been gained though often not systematically filed nor adequately described to convert them into useful informations for subsequent policy guidelines. The first experiences stemmed from a government try-out under the Dutch colonial rule which was more precisely a colonisation project at Gedongtataan, Lampung in the Southern part of the island of Sumatra.

A turning point in colonial policy was marked at the turn of the century by a specific interest in the rural poor among the indigenous population, since it was increasingly realized that development of the colony - then known as Netherlands Indies - could not progress significantly unless the lowest layers of society were purposely taken care of and supported by the government.

As was reported in the *Mindere Welvaart Rapporten* (Declining Welfare Inquiries) of 1904-1905 the rural poor in Java, more particularly should be provided with more food and clothing, better health facilities and schooling in order to increase the general standard of living. There is little doubt about the motivation behind increasing welfare efforts; Dutch industrial products manufactured in the Netherlands could very well use a larger market and the millions of consumers in the colonies. A higher standard of living would also enhance the consumers' appreciation for more and a greater diversity of consumer goods.

A paper submitted at the CCSEA International Conference II in Singapore. Sediono M.P. Tjondronegoro is Professor of Sociology at Institut Pertanian Bogor and Study Director of Transmigration Monitoring and Evaluation.

The Dutch colonisation program was to relieve Java from the pressures caused by high density of population, a demographic point of view and argument which persisted well after the proclamation of Indonesia's independence. A second consideration in Dutch colonial circles was to transfer labour to the Outer Islands for the development of large estates cultivating exportable perennial crops such as palm oil, rubber, and tobacco, which were located adjacent or close to *colonisation* areas.

As indicated above the first experiences were gained in the former residencies (now provinces) of Lampung (1905) and Bengkulu (1909). However, there was rather keen competition due to the attraction to become "contract coolie" finding employment with large foreign estates in Deli, North Sumatra. This migration movement to North Sumatra was perhaps easier and more attractive to tiny subsistence farmers and farm labourers (often landless) from Java, who have been accustomed to accepting off-farm jobs as well and thereby earning more cash income.

As a consequence of the competitive policies referred to above the colonisation program did not come of the ground in the early decades of the 20th century, although migration from Java in smaller contingents continued to occur more particularly as of 1912 (J. Hardjono, 1977: 18) such that by 1930 actually 36.2 percent of the population of Lampung residency (an administrative sub-division of a province) according to the 1930 Census findings already consisted of Javanese colonists (J. Hardjono, 1977: 46).

Land allocation to colonists by the Dutch government amounted to one *bau* or approximately 0.7 hectares which on the island of Java had been considered as the level of sufficiency (*kecukupan*) among the farming population. In fact, larger percentages of farmers had then already cultivated 0.5 hectare or even less.

The early colonists were transferred to the new settlement areas in small groups accompanied by a government officer of the Department for the Interior. The colonists did most of the forest clearing and land preparation themselves in a spirit of collaboration within small groups. Such small advance groups left their small families behind and spearheaded subsequent and larger groups of colonists (Kampto Utomo, 1957 and H.J. Heeren, 1977).

The initial stage of pioneering and doing the forest clearing manually was perhaps the hardest time for the colonists; no tractors or chainsaws were then available. The easiest crop to cultivate was - and has been under such circumstances - cassava and it was the crop upon which the colonists and their families subsisted in the first year after arrival. This was usually scheduled in

such a way that the clearing was done just prior to the rainy season or wet monsoon enabling the colonists to plant rice as their second (stage) crop, not infrequently utilizing the open spaces between the stumps of big tropical rain forest trees so that it looked like a swidden cultivation plot.

While the clearing was done by the male population at the frontier area the rest of the family stayed in nearby, more established *kampungs*; they would follow after the wooden cottages had been constructed and the individual plots made ready for cultivation.

For a second wave of migrants coming to the area it was considerably easier since they usually came as harvesters upon invitation of their relative colonists or former fellow villagers in Java. This pattern had been referred to as the *bawon* system through which the harvesters who gave a helping hand during harvest time could obtain part of the harvest which varied with the availability of harvesters (between one third to one fifth).

Such a "rice buffer stock" enabled the second wave of colonists to do the clearing in an adjacent area. If the *bawon* system included a great deal of family relatives the above pattern of migration had also been referred to as "transmigrasi famili" (transmigration of relatives) in later years. Thus for some time the second and subsequent waves of migrants might be found working for more established and senior predecessors or for indigenous shifting cultivators which was true in the context of spontaneous migration. Forms of patron-client relationships might emerge from patterns as described above.

Meanwhile in the 1930s new settlements were designed and established by the Netherlands East Indies government with a more sophisticated irrigation system. In Lampung, Sumatra and Luwu, South Sulawesi, such irrigation projects were implemented to absorb larger numbers of colonists and among the first of such projects was the Way Sekampung irrigation system (1937) in Lampung, of which the small town of Metro had become its administrative and marketing center. In Sulawesi it was the Kalaena irrigation network (1938) which was designed to perform the same function.

Colonisation with irrigation became the major pattern until the outbreak of World War II and was also implemented in other parts of Sumatra such as Belitang and Tugumulyo in South Sumatra, Kemumu in Bengkulu, Tabir in Jambi (1940) and Batahan in West Sumatra. Irrigation water became the corner stone upon which soil fertility within the given ecosystem was sustained. It was a system to provide greater sufficiency for the farmers based on irrigated *sawah* plots and a home compound of about a hectare of land altogether.

Colonisation on dry upland was not non-existent at that time but definitely much smaller in scope and acreage, one of the projects being a settlement of Madurese, who were used to dry farming, in Madurejo, Kalimantan (1938).

THE TRANSMIGRATION SCHEME

Under the Japanese occupation (1943-1945) all population migration came practically to a halt; for defence purposes all provinces were made self-sufficient, staple food was not allowed to be imported or exported in between provinces, while population movements were also prohibited. In a situation of war such a territorial self-sufficiency could be beneficial, however, it does not promote greater economic division of labour nor inter-regional trade and flow of labour.

In the first years of Republican (1945-1950) rule when much of the war conditions prevailed inter-regional and even more inter-island migration had been discouraged. However, as soon as the Republican government was recognized as the *de facto* and *de jure* government over the former territory of the Netherlands East Indies, since then known as the Republic of Indonesia, the transfer of people from densely populated areas in Java to other scarcely populated areas of Indonesia was revived as a government program.

One of the serious problems which the young Republican government faced was how to reward the thousands of ex-guerilla fighters who survived the armed struggle for independence, and for whom it was hard to readjust themselves to normal rural life or find a decent job for their living. With the demobilisation of part of the regular army the problem only increased as a national problem.

Here again the search for a solution was toward migrating people to other islands of Indonesia on the ground that the maldistribution of population in the country needed correction. A few changes occurred in the government's policy orientation toward inter-island migration, e.g. that in order to migrate more people within shorter periods it was necessary to introduce upland (dry) agricultural practices yet virtually based on the cultivation of food crops. Constructing more irrigation systems in settlement areas had by and large been considered as being too expensive and rather time consuming, in the short run incapable of absorbing larger numbers of settlers.

Population pressures in Java were such that direct solutions had to be given higher priority and the new program formulated and labeled *transmigration* (rather than colonisation or land development) retained its strong

demographic orientation. The transmigration program of the early 1950s comprised the moving of landless and subsistence farmers to new settlement areas where land was relatively abundant. Land fragmentation in Java was perceived as a major hurdle to develop a better farming system. If Java could be relieved from its over-population it would be possible to redesign a more profitable farming pattern for the farmers. From such perceptions stems the argument that transmigration could mean the solution to over-population and even to development. Until about 1966 birth control or family planning programs were not perceived as remedial programs to the problem of over-population, because land in the outer islands was believed to be available in greater abundance. It was not well understood that abundance of land could have nothing to do with the fertility of soil. Perhaps this knowledge about the lesser fertility of soils in the outer islands was communicated to policy makers in the late 1960s only when more soil surveys outside Java and Bali presented the same picture.

The allocation of larger plots on upland i.e. 2 hectares and later in some projects even more up to 4 or 5 hectares, was to enable settlers to make a better living and become efficient farm managers. Little thought - if ever - was given to the possibility that Javanese subsistence farmers and landless labourers might prefer better paying off-farm or even non-agricultural jobs. In other words it was not altogether impossible that there was a growing aversion toward farming in general, particularly among younger generations of the rural population. Thus migrating might be attractive because of larger land allocation but renting out one's piece of land was not prohibited by any law.

From several studies and observations in settlement areas it appeared that about 60 percent of the settlers had been subsistence or landless farmers, unaccustomed to manage larger plots of 0.5 hectare or more. And this was in fact the situation in all settlement areas.

The new thought which developed in the 1950s and later implied that the former land allocation of 1 *bau* (0.7 hectare) may have been sufficient for agricultural practices with the help of irrigation. However, for dry upland for farming the cultivable area land allocation should be at least 2 hectares in order to enable the farmer to improve his subsistence level position.

Thus the new rule was set and the first land allocation to ex-servicemen in 1952/1953 amounted to 2 hectares. In order to provide greater resilience for the farmers in the new settlement areas a rationing was introduced and the "package" delivered for the duration of at least 12 months contained basic necessities such as rice, cooking oil, salted fish, kerosene and some crucial farming equipment such as a sickle and a hoe.

The first experiences with ex-servicemen were not very satisfactory because quite a number among them proved to be unprepared to return to farming under such tough pioneering conditions. Soon the settler contingents fell apart; there were families who moved to nearby towns, and fewer moved to other locations on their own initiative to search for more fertile soils and start farming again.

Some of these pioneer settlements succeeded in attracting ordinary Javanese farmers, moving on a spontaneous basis, thus expanding the existing settlements. But the number of retired servicemen remained relatively small through the 1950s and even 1960s.

ORGANIZATIONAL SET-UP FOR IMPLEMENTATION

In their initial stages the government transmigration schemes had been rather perceived as programs of a social nature, in which the demographic aspect was predominant. Therefore the program had been for some time implemented by a branch or agency under the Department of Social Affairs. As a new program it was utilized to solve a variety of problems related to the readjustment of people to regular society or be given new and better opportunities for existence. One as I already indicated above, was the rechanneling of ex-servicemen into regular society and make them productive in the agricultural sector.

A second source for the recruitment of transmigrants has been the victims of natural disasters such as earthquakes or heavy floods. Such people no longer able to find a decent living for longer stretches of time were moved under government sponsorship to settlement locations outside Java and Bali.

As a rule the central government consulted with the provincial administrators to find out which locations could best be prepared for transmigration. The arguments on either side may not always overlap or be in harmony. It is not inconceivable that many a governor selected rather remote and undeveloped areas of their provinces for transmigration settlement, because then the areas could be freed from its relative isolation. Feeder roads to the area have necessarily to be constructed generating new activities along their routes not infrequently in indigenous *kampung*s or hamlets. The need for improved infrastructure and for market facilities soon emerged and usually these attracted more people including peddlers bringing a variety of merchandise.

The local population whose land was claimed by the government in exchange for some pecuniary compensation with regard to rubber, coffee or fruit

trees and other profitable perennial crops were at the beginning happy to have migrants, who increased the availability of labour in such remote areas.

After 1958 transmigration programs were considered to be as crucial and related to the country's drive for food self-sufficiency. The clearing of more land in the outer regions should bring more upland under cultivation and a Department was added to the Cabinet in 1958 to take special care of transmigration projects. The project was also connected to village development and the establishment of cooperatives to sustain an indigenous economic system. The Department was named: Department of Transmigration, Cooperatives and Village Development or often popularly referred to in its Indonesian acronym as *Transkopemada*. The task of the Department was to attain greater self-sufficiency in staple food for the country, simultaneously establishing more available villages outside Java and Bali.

In a few selected areas of South Sumatra such as Way Tuba the effort was combined with large scale mechanised (state) farming, in which a core of a highly mechanised state farm of about 10,000 hectares would be developed providing service for surrounding farmers on an acreage of up to 100,000 hectares. Such was the early idea of a nucleous state farm. Imported tractors and combines from the Soviet Union and Czechoslovakia were a major input in the state farm. However, it soon became apparent that the heavy machinery was inappropriate to be used under the existing physical as well as infrastructural conditions. The first rice yields in the early 1960s amounted to only a few quintals of unhulled rice per hectare because of weeding problems.

Cooperatives have been considered as the most appropriate organizational and economic units on which to base the country's economic system. Therefore after the change of government, in the wake of the political upheaval of 1965/1966 the reorganization of the *Transkopemada* Department still incorporated cooperatives as one pillar of the newly created Department under the name of Department of Manpower, Transmigration and Cooperatives (the Indonesian acronym is Department of *Nakertrans*). Each of the areas became the concern of a separate Directorate General namely Director Generals respectively for Manpower, Transmigration and Cooperatives under one Minister.

The Directorate General for Transmigration was more specifically assigned the task of establishing and developing settlement areas.

Gotong-royong (self-help and mutual aid) groups were perceived as the natural and traditional institutions out of which modern cooperatives could grow. Also in the new settlement areas the hope was that such mutual help ac-

tivities could develop into village cooperatives viable enough to sustain the new village units. Processing of agricultural produce as well as developing a marketing system - freed from the malpractices of middlemen - should be placed in the hands of cooperatives.

An additional element which emerged in the context of transmigration since the early 1970s has been that of regional or area development. Planned development in Indonesia has been implemented by provincial government or directly by the central government. The role of the private sector has been limited except in the construction of houses. Road construction and clearing of forestland was entrusted to the Department of Public Works which created a new Directorate for the preparation and clearing of new settlement areas. Like previous units this Directorate is equipped with heavy bulldozers, tractors and other mechanised vehicles.

The problem of coordination between a variety of Department has therefore become an important one since 1971. Among them are the Department of Public Works for Clearing, the Department of Communications for Transport, the Department of Agriculture for extension and cropping pattern research, and the Department of the Interior for the selection of locations as well as for agrarian affairs. A joint body for inter-Departmental collaboration was established by Presidential Decree in 1978 and at a later stage, when a Junior Minister for Transmigration was appointed, it was further expanded. The inter-ministerial body for collaboration was later called the *Bakoptrans* of which the Junior Minister for Transmigration became chairman.

It has not as yet become clear, however, where the precise dividing line lies between the areas of competence of the Junior Ministers with regard to transmigration. Before 1978 the Directorate General for Transmigration in actual practice acted on behalf of the (now Senior) Minister for Manpower and transmigration, while at the Provincial level there was a Head of the Transmigration Regional Office who acted on behalf of the Director General. Since the inauguration of the Junior Minister plus various representatives at different levels in the region i.e. Provincial and lower level division of labour became more diffused. In actual practice a duplication of functions resulted and the dual structure has not always led to swift and effective performance of the organization as a whole.

THE VEXED DEMOGRAPHIC ARGUMENT

Whether or not transmigration could affect the rapid population growth in Java and Bali has been an extended discussion in government circles as well

as in public dialogues through newspapers and scientific seminars. Under President Soekarno's administration the government took a more optimistic stand by arguing that Indonesia's abundance of land allowed the country to have a fast growing population. Thus in order to correct the population imbalances between islands larger transmigration projects had to be designed. In those years calculations were made to transfer a population of one million each year from Java to the other islands. Apart from the fact that Indonesia was unable to mobilize so many ships as would be required to realize the target, the program would need a huge organization of a great variety of agencies and expertise from surveyors to well-trained extension workers and project managers. All of that was hardly available to accomplish the task. In conclusion, not only would the huge program be too costly but there was simply a lack of equipment and expertise as well as organizational capacity to match a population growth of 2.3 percent per annum (1971-1980).¹

In the decade of the seventies family planning was already accepted as a national program, thus the government implemented a two-pronged approach in its population policy.

The population census of 1980 tells us that Java and Madura with only about 7 percent of Indonesia's total land area house approximately 61 percent of the 147 million Indonesians. Several figures quoted from a recent study conducted by a survey team of the Indonesian Institute of Sciences² are interesting to delineate trends. In the above report it was explained that since 1905 to 1978 (Soeharso, 1981: 4) the number of people who migrated from Java, Madura, Bali and Lombok was 1,032,000. Given an average of 5 members per family, it would mean that an out-migration of 206,400 families from densely populated areas occurred. The annual average would be 14,137 people and this again was the equivalent of 2,827 families.

Indeed viewed over a period of half a century according to census figures only a very modest correction with regard to population imbalance between Java and the outer islands occurred. Although it cannot be immediately concluded from the figures that it was the result of transmigration, and it is difficult even to indicate precisely what bearing transmigration had on the change of population balance, the figures are at least interesting.

In the period of 1930-1961 growth rates were in the order of 1.50 to 1.75 percent per annum and the average decline of Java's population was 0.13 per-

¹Population Census 1980.

²Soeharso et al., *Transmigrasi: Latar Belakang dan Aspirasinya* (Transmigration: Background and Aspiration), Jakarta: Leknas, LIPI, 1981.

cent per annum as was of course the increase in the Outer Islands. As already admitted previously it is quite possible that in the period after 1970 to date influences of family planning successes have had some bearing upon growth rates of Java's population, and also that the provinces receiving transmigrants have witnessed a much faster population growth namely in the order of 3.0 percent annually or higher. The province of Lampung witnessed an increase of 5 percent per year; other provinces such as South Sumatra, Southeast Sulawesi, Bengkulu and Jambi have increased with between 4 and 7 percent annually.

Table 1

POPULATION BALANCE

| Source: Census | Java (%) | Outer Islands (%) | Note |
|----------------|----------|-------------------|-------------------|
| 1930 | 69 | 31 | Pre-Independence |
| 1961 | 65 | 35 | Post-Independence |
| 1971 | 64 | 36 | |
| 1980 | 62 | 38 | |

If one should relate transmigration to national resilience of which national defence is an integral part, one has to deal with the demographic aspect of population distribution in the country. Today's perception implies that for defensive purposes as well as for purposes of greater equity in the country's development efforts the Eastern part of Indonesia, often with population densities of less than 50 people per square kilometre, should become the next territorial target for transmigration. In the forthcoming *Pelitas* (Five Year Development Plans) it can be expected that larger contingents of migrants will be shipped to the Eastern Part of the country.

Based on the Transmigration Law No. 3 of 1972 more migrants have so far been shipped for purposes of agricultural extensification. However, in the near future it can be expected that migration of workers for industrial expansion will also be needed.

From various studies (Socharso, 1981: 52 and MET-IPB, 1980-1981) it appears that the strongest motivation to migrate is the allocation of farm land since the majority of migrants have been recruited from subsistence farmers and agricultural labourers. The "poor peasant" attitude (C. Geertz, 1963) which many of these migrants seem to be reflecting makes it difficult to convert them right away into managers on larger farm plots of 2 hectares or more. This apparently is one of the more intangible mental handicaps.

Meanwhile the pattern of migration within the country seems to have changed in support of a more equitable population distribution among the larger islands. If for the past decade it was thought that more people were moving into Java than migrating from Java a recent study³ based upon the 1980 Census figures seems to indicate that the movement has been reversed over the last five years. The population movements from Java certainly include not only transmigrants, but also other occupational categories for a variety of projects.

The propensity to migrate i.e. the percentage of people who moved as against the number of population in a given area (province) has changed for a number of provinces. Sulawesi has the highest propensity to migrate; i.e. 1.6 percent; Java and Sumatra come next with 1.4 percent and the lowest is Kalimantan with 1.1 percent. For the past 5 years 1,075,000 people have left Java, which is approximately 43,000 families per-annum. This makes a significant difference with the average annual figure between 1905-1978; annually fifteen times as many families moved between 1976-1980 in comparison to 1905-1978.

If this trend continues to persist in the near future it would mean that out-migration from Java is increasingly occurring on a voluntary basis, and in more cases perhaps without subsidy from the government.

Table 2

IN- & OUT-MIGRATION WITHIN INDONESIA

| Island | "Gave" (Outmigration) | "Received" (Immigration) |
|---------------|--------------------------|-----------------------------|
| Java | 1,075,000 | — |
| Sumatra | 318,000 | 921,000 |
| Kalimantan | 61,000 | 216,000 |
| Sulawesi | 144,000 | 135,000 |
| Other islands | 137,000 | 131,000 |

From the islands of Sumatra, Kalimantan, Sulawesi and other smaller islands outmigration only amounted to 680,000 people, while they were receiving in total 1,403,000 people, and this was more than Java "gave".

From Java 835,000 people moved to Sumatra, another 143,000 people moved to Kalimantan and 57,000 people moved to Sulawesi. Thus the figures signify the outmigration from Java and perhaps the vexed question whether or

³S. Wirosardjono, "Peta Perpindahan Penduduk Indonesia Selama 5 Tahun Terakhir" (Map of Population Movements during the Past 5 Years) in daily *Kompas* of March 31, 1982.

not transmigration is able to match Java's population growth is no longer a problem of high priority.

EMERGING TRANSMIGRATION SETTLEMENT MODELS

The lesson from past experiences gradually led to the design of settlement models; the guiding principle became how to improve the settlers' standard of living within a given period of time. In order to arrive at alternative models the Indonesian government entered into negotiations with the World Bank in order to obtain a loan to finance the plan. In the initial stage it was not easy to find a homogeneous area of around 50,000 hectares for the implementation of an experimental model settlement, but eventually two sites were considered in 1974. The first was Tulang Bawang, North Lampung, and the other in Baturaja-Martapura (Batumarta) in South Sumatra. Tulang Bawang, however, was later abandoned because of its rather isolated location; Way Abung settlement was taken instead also in North Lampung. This was, however, a rehabilitation project since Way Abung was already designed to follow the older pattern i.e. an allocation of 2 hectares. Moreover, the villages located not higher than 30 metres above sea level would be given irrigation water so that only the villages 31 metres above sea level or higher would be allocated an additional one hectare of rubber plot but with no irrigation water. Therefore Way Abung is to some extent a model in transition where one will find 2 hectare plots irrigated, and also 3 hectare plots including one hectare rubber plot without any irrigation.

The new model in fact can be better observed in Batumarta, where land allocation was 5 hectares in 1976. The core two hectares plot followed the same traditional pattern of 0.25 hectare of home compound; 0.75 of dry land and 1 hectare of rainfed *sawah* (on upland). To begin with one hectare would be planted with rubber trees with the possibility of extending it up to 2 hectares, while the last 1 hectare would be kept in reserve. The Directorate General for Transmigration sub-contracted the preparation of rubber plots and the initial cultivation of rubber trees to the government sponsored estate locally known as PTP X.

The rationale behind the considerably larger land allocation has been to increase the per capita income of migrants within about five years. The settlers would be self sufficient in food because of the cultivation of food crops on two hectares at the most, while they could also derive cash income from their rubber plots. PTP X would take care of the processing, extension and perhaps even marketing. It was anticipated that after about five years the settlers would be able to earn about US\$ 600 per family per year.

In a very recent speech the Junior Minister for Transmigration announced that the government plans to cast its transmigration program into six distinct models to support other development programs in the Outer Islands. This models are:

1. settlement with an emphasis on food crop cultivation;
2. settlement with an emphasis on the cultivation of exportable perennial (estate) crops;
3. settlement for seafishermen along the coast;
4. settlement with an emphasis on animal husbandry and the rearing of cattle;
5. settlement in support of industrial and mining enterprises;
6. settlement in frontier areas with military core migrants (ex-servicemen) also for defensive purposes along the country's boundaries e.g. with Malaysia in Kalimantan, with Papua New Guinea in Irian Jaya.

Since the Transmigration Law No. 3 of 1972 virtually deals with the first model sooner or later it may be necessary and at least advisable to review and amend the Law in such a way that the implementation of the other five alternative models will not be hampered.

So far recruitment of manpower for industrial and mining purposes has fallen under the jurisdiction of the Director General for Manpower rather than that for Transmigration, though both are incorporated within one Department of Manpower and Transmigration. The *Sapta Marga* settlements (model no. 6) for defence purposes have been the responsibility of the Defence Department which is of course most knowledgeable about the strategic needs and where such military settlements could best be located along the boundaries with adjacent countries.

The various models indicated above certainly have their specific requirements, and very little systematized experiences have been compiled on models 2 to 6. Perhaps the bias toward subsistence farmers and farm labourers should be corrected in favour of better educated candidates.

With regard to model 1 more surveys have been conducted to evaluate the settlement's performance. For the most recent settlement models with land allocations of 5 hectares the inputs per family have been estimated at around US\$ 5,000 which include clearing, construction, travel and subsistence allowances and rationing for the first year after arrival at the location.

The expectation was that settlers could have an income of several hundred US dollars after 5 years. However recent surveys indicate that after 6-7 years only about 60 percent of the targeted level was reached. Moreover the average hectareage cultivated for the survival of the family remained under 1.5 hectares

even for those who arrived in 1976 in Batumarta. No income has as yet been derived from rubber tapping. However, this extra activity will also mean additional constraints on the supply of labour.

A soil survey report (G. Soepardi, 1982) indicates that farming on red-yellow podzolics without prior limings is bound to result in low yields. On the other hand to require such a treatment to be done by the farmers themselves would be asking too much from them. The most applicable alternative would probably be to request the government for greater investments in the preparation of farm land to be allocated to settlers. This would mean that the government has to design a more complete "package" in order to ascertain higher rice yields for close to a decade.

As matters stand now a good deal of long-term monitoring has yet to be conducted with regard to each specific model (2 to 6), in order to find out under what conditions and with which additional inputs each alternative model referred to above is feasible. It may take another five years before this job is done, however. In order also to justify larger scale programs it may be worth while trying. Because if transmigration - as the census figures tell us - is actually no longer operating under high pressures, obsessed by the idea to match population growth in Java and Bali, it may be better justified for the longer run to create viable settlements instead of chasing behind unattainable high targets for the coming Five Year Development Plans.

CONCLUSIONS

A few tentative conclusions may be drawn from the above analyses. Apparently the long tradition from colonisation to transmigration indicates that as long as the settlers are predominantly recruited from among a population of subsistence farmers and farm labourers a land allocation of even two hectares cannot be cultivated by utilizing family labour only. Given the requirement for higher farm inputs, an income from foodcrops on a maximum of 1.5 hectares is not profitable enough to provide the farmer with the possibilities of saving and reinvestment. The government agency dealing with transmigration (model 1) may have to increase investments and enlarge the present "package" so that rice yields cultivated on podzolic soils could reach a higher minimum.

Since the majority of the transmigration models suggested by the Junior Minister for Transmigration have in fact not been adequately researched to prove their profitability and feasibility for specific regions a certain period of monitoring and evaluation should be allowed in the coming Five Year Development Plan starting in 1983/1984.

Assuming that e.g. due to the spread of development efforts as well as improved infrastructure the course of population migration is from the densely populated areas to the scarcely populated islands, rather than the other way around, greater investments may be required in the Outer Regions in the agricultural and processing sectors.

Improvements of the infrastructural conditions in the Outer Regions would enhance population mobility, and investments in this sector may be welcomed by Provincial governments as well in an effort to expand domestic markets.

Indeed the role of the private sector so far has been limited in the context of transmigration programs. However, investments of joint ventures in the sectors indicated above may speed up the exploitation of untouched resources. Education and extension for future migrants to be employed in all transmigration models remain crucial.

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Mass-Communication in Indonesia and Its Perception on Cultural Exchange

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THE PRESENT

Mass-communication in Indonesia covers a wide range of activities, where ideas emanating from a centre are related, communicated and disseminated to society in all its stratification. Mass-communication in its broadest sense is not only exchange of news and views, but also an activity embracing all the transmission and sharing of facts and ideas. It creates a common pool of ideas and strengthen the feeling of togetherness as a new nation.

In its narrow sense, mass-communication in Indonesia can be called "public relations." Since our Proclamation of Independence in 1945, the Government has established a "Ministry or Department of Information" for all its activities in the field of public relations and mass-communication. The basic aim was to arouse and to consolidate the already existing public support for the independence struggle, and to enlighten the outside world on the independence movement.

Today there are in Indonesia about 65 dailies and 200 weeklies and magazines with a total circulation of 6,276,253 copies. A great number is circulated in Jakarta and in the provincial capitals. Compared with the 140 million population, our press can only provide 1 publication for 22 people. The ideal UNESCO-standard that for 10 people at least one copy should be available is not achieved yet. But compared with the situation of 7 years ago, when the total circulation was around 2 million copies, there has been a remarkable progress in our press.

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Publications are licensed through the Department of Information. General guidelines for the press originate in the Press-Council, which has the task to assist the Government in the promotion of a free and responsible press. The activities of the Press-Council include giving advice on such matters as the development of the press generally, the expansion of an active press in the rural areas outside the big cities, the importation of newsprint and the formulation of criteria for journalism training programs in journalism.

All working journalists are members of the Indonesian Journalists' Association (*Persatuan Wartawan Indonesia*). This association was founded in 1946 during the revolutionary upheavals, shortly after the Proclamation of Independence. Its basic aim was to participate actively in the defence of our newly proclaimed independence, to uphold the freedom of the press and human rights as stipulated in the Constitution, to emphasize the role of the press in our reconstruction efforts, and to improve the quality of Indonesian journalism free from colonial and Japanese influences of the past.

Newspaper enterprises in Indonesia are run on the basis of corporate enterprises. The capital should be entirely national. Press owners are organized in the Association of Press Proprietors (*Serikat Perusahaan Surat kabar*) also founded in 1946.

There are several Indonesian news-agencies, the largest and the oldest being *Antara*, which was founded in 1937 by young Indonesian nationalists during the colonial period. It was the nationalist news-agency which countered the Dutch colonial news-agency. Today *Antara* has branches in all provincial capitals and correspondents in The Hague, Tokyo and Cairo.

Next to the press, the Department of Information is also responsible for the development of the other mass-media, such as film, radio and television. There are at the moment more than 1,000 cinemas throughout the country. There are 569 radio stations outside the official Government radio-network and Government central television-network. The whole radio- and television-network has relay-stations in most of the provincial capitals. The number of the radio-sets is 25 million; that of the television-sets is about 2.6 million. The UNESCO-standard that every household should have one radio has been met, though not yet one television-set for every home.

The utilization of the Satellite Communication System enables television-broadcasts from Jakarta to reach all provincial capitals and the surrounding areas, including East Timor. At the same time, the regional local production stations exchange programs with the central station of Jakarta. A change in the pattern of television-broadcast programs is now more oriented to the

development of rural areas, and national cultural norms were started a few years ago.

THE PAST

This mass-communication network has grown from the information activities of the Republic 37 years ago. It sprang out from the first "Ministry of Information" of the new-born State and the new-constituted national Government out of the human bondage from Dutch colonialism and Japanese militarism. It functioned originally also as the official "Public Relation," in particular with the outside world.

Like the "public relations," of any financial, economic and trade corporations of these days which have to sell something to the public -- that "something" can be commodities, equipments, services or facilities, but there is always an idea behind -- every modern Government has to sell also the same basic things to the public, the domestic public as well as the foreign public.

Without exaggerating or over-simplifying things, there is in our opinion no basic difference between the Government public relations and the private. Both have to do with ideas and images. Maybe there are differences in emphasis on what should come first. Maybe Governments' activities lay more stress on the ideal, while private and corporate activities begin with the material. But both have to make sure for themselves first, what they are going to tell the public, to say or to propagate to the public. Secondly, both must know which of what kind of public should be given the first priority as their target to which to relate or communicate. And thirdly, both must know what kind of means and what sort of language they should use for their relations, communication or propaganda.

The word propaganda has an awful connotation. It smells like "brain-washing." But what are radio- and television-commercials doing these days, by continuously and constantly "frappez, frappez-toujours" in the mind of consumers by repeating insistently and consistently all the good qualities of products, services and ideas? Is this not arrogating to themselves the pretension that they know better how consumers and the public should conduct their way of life, and use their brain? Without the public having any chance or opportunity to talk back to the television and radio?

But let me go back to our information and mass-communication activities in the past.

Immediately after our Proclamation of Independence we also "arrogated" to ourselves the "pretension" that nationalism was better than colonialism, that freedom was better than subjugation, and that democracy was better than fascism and militarism. Actually, it was the returning Dutch colonial Administration which labeled our information and propaganda activities as "arrogant pretensions." But for us it was serious business. It was our belief, our creed. And it was the British historian, *Thomas Carlyle*, who once wrote that: "Belief is great. The history of a nation becomes great, as soon as it believes."

Inspired by this kind of Western ideas, we began to formulate our beliefs in a modern single integrated State-philosophy: *The Pancasila*, the Five Pillars or Principles of our State and Nation. They are: The Belief in God, Humanitarianism, Nationalism, Democracy and Social Justice. And we began to fight the Dutch colonial military Administration, politically and by guerilla warfare. We organized our people under this banner of Pancasila: the way-out of colonialism and the alternative of fascism. Pancasila is also the source and the basis of our Nation- and Character-building. It is the middle-road between leftist-radical communism and rightist-theocratic Islamism. Compared to all the other ideologies, Pancasila is for our people and nation a more attractive political and philosophical alternative, firmly rooted in our centuries-old Indonesian culture.

We needed the means of communication to reach our people. We used the spoken words through microphones and radio. We used the written words through pamphlets and the press. We also used the visualized words through posters and films. We used also the traditional shadow-shows, the stage, the folksong, the village recreation and religious centres etc. as our mass-communication media.

Our approach to organizing the peoples' support was persuasion: that subtle sweet reasoning directed towards the mind and the intellect, to get the people on the move. Unfortunately, we have to use coercion too: that complex enforcement measures to restrict freedom, to get things done.

We have to use this coercion too, not because we liked it, nor because it was inherent in our paternalistic system, but because we were surrounded by tens of thousands of soldiers of a colonial army. Considerations of security, defence and survival necessitated the use of coercion next to persuasion. But on the whole persuasion was our rule, whereas coercion was the exception. The same principle applies today.

Compared with the activities of the colonial administration in the field of information, mass-persuasion and public relations, ours were more successful;

despite the fact that we did not have the modern equipment of radio and prints that the Dutch had at their disposal. This was because the ideas and ideals we fought for were deeply rooted in the people's aspirations.

But it will be wrong to draw the conclusion that our mass-communication activities did not make mistakes. We made a lot of mistakes and errors. In particular when we abandoned restraint, and went too far in our zeal, we tended to over-rate ourselves, and under-rate others. We over-valued the role of ideas, and we under-estimated the function of hard realities. In such situations we did not talk *with* the people, but we talked *to* the people. For the people it became a boring monologue, instead of a fruitful dialogue. The government did the talking, the people did the listening. Subdued and polite silence of the people was misjudged as consensus and agreement.

Fortunately, we were aware of our mistakes and errors. We began to realize that information in a paternalistically-inclined society with strong remnants of feudalistic attitudes should be more education-oriented. It must have the basic character of mass-education. And when in 1950 we were recognized as an equal member in the family of sovereign and free nations, and we moved our capital from Yogyakarta to Jakarta, we declared that:

"Information and public relations of the State is identical with mass-education. That the aim of mass-education is the changing of the very mentality of our people. The mentality of the slave must go. In its stead must come the mentality of the self-respecting citizen, of the moral man, aware of his responsibilities towards, and of his place in, the history of his people and his country."

In other words we do not want to produce "yes-men", who try to please others, and thereby do not reveal their minds. And we do not want a Government functioning like the "the Big Brother," who says "no" to any suggestion for better alternatives from the people, who pleases himself, and actually has no mind to reveal. Instead we want "a two-way traffic" of information between the public and the Government.

This was the situation up till 1957. Unfortunately, parliamentary democracy with its multi-party system failed. It had to make way for the so-called "Guided Democracy." This period was characterized by an uneasy balance between *President Soekarno*, the Army and a loose combination of political parties. This combination consisted of the Nationalists, Moslems, Catholics, Protestants and Communists. There was a "guided press," and a state-controlled radio- and television-network.

Whatever might be the deficiencies of Guided Democracy, *President Soekarno* was able to achieve in 1963 with this uneasy balance two important things. First, we solved the perennial problem of internal security, by elimi-

nating the centres of the *Darul-Islam* dissident movements in West-Java, Aceh and South-Sulawesi. Second, we liberated West-Irian as a result of Soekarno's combined effort of military operations short-of-war, with his diplomatic ruthlessness, resembling brinkmanship.

However, when after 1963 radical wings and Peking-oriented communists in the Guided Democracy system got the upper hand, culminating in the abortive communist coup d'état on 1 October 1965, the uneasy balance was broken. The system collapsed, seemingly from the weight of its growing internal contradictions and external pressures.

For the official information and mass-education activities, the period of Guided Democracy was a hectic one. They had to compete with the activities of the radicals and the communists, who, out of political expediency, accepted the Pancasila ideology. It was the well-known tactical lip-service attitude. But looking back at that period, it is gratifying to note that the many years of mass-education efforts were not in vain. Nationalism and patriotism, based on the Pancasila ideology, were strong enough to resist at the most crucial moments communists' encroachment on our ideology.

This is the background of mass-communication, information and public relations in Indonesia in the past; a story of the role of mass-communication in a process of nation-building, with all its growing pains and its pain of growth. The job of building a nation is painful. But more painful could be the job of building the image of a nation. If information in the sense of mass-education was internally directed to the goal of nation-building, the job of building the image of a nation was more externally oriented, and placed in the hands of public relation sections and press-attaches abroad. Their main responsibility was to get the best possible press coverage in and outside the country, to avoid hostile press comments, and to correct misunderstandings. They must have the best contacts with the press world, and they must be able to provide them with the best possible service.

But above all, public relations officials and press attaches should be well-informed about many aspects, if not all, of the Government policy. Or better to say: they must keep themselves well informed, so that the press could rely on them for the most accurate information. It is no secret that on many occasions the world press get the latest information, before the press-attaches receive it. Therefore they must keep themselves informed. This is the first requirement of establishing the integrity of both his Government and himself in the eyes of the mass-media. In order to get the maximum results, they must master the ability to persuade. After all together with the whole diplomatic staff of the embassy, they belong to that special class of "diplomatic

persuaders." This approach secures a solid and honest exchange of information through mass-communication.

During the radical years of 1963-1965, when Indonesia's foreign policy became more and more radical as a result of her increasing distrust of American-British policy in Southeast Asia in general, in Vietnam and Malaysia in particular, when Indonesia began to move into Peking's orbit; and when economic conditions developed from bad to worse; it was nearly impossible for our public-relations men and press attaches abroad to get rid of the label in almost all Western press, that Indonesia was "the mad man and the sick man" of Southeast-Asia.

Still, at that time we had at our disposal the most capable and able men abroad. This is the best proof that ill-conceived and ill-received foreign policy could by no means be corrected by the best salesmen of excuses and apologies.

SHIFT SINCE 1965

One of the main characteristics of Indonesia after the abortive communist coup of 1965 was the shift from "nation-building" towards "economy building." It was more a shift in priority, although there was some change in principle. As a result of this shift in priority, information and public relations activities are more "economy-oriented" than "political". Mass-communication is more diversified.

We embarked upon a mass-campaign to show the bankruptcy of the communist ideology and the sanctity of the Pancasila ideology in the Indonesian situation and condition. We pulled out from the Peking-orbit and returned to the UN-fold, which we had left the year before.

Nowadays we witness the increased activities of the many public relations sections of all the departments in the economic and financial fields. They are now, so to say, in ascendancy. At the same time we witness the decrease of information activities in the political field and in nation-building. This is also the period of the ascendancy of the military and the decline of the political parties.

All these changes in emphasis in our mass-communication activities have been the result of the change in priorities and the change in emphasis on what is considered to be the present key-stone of our national interest. On the other hand this change in priorities caused new problems. It is also conditioned by certain limits of continuity, in particular the continued awareness of the

Government that security of the State and her Pancasila ideology is still on top of the priority list.

In connection with the development and "economic-building" efforts of the Government the "security approach" should be seen in an unbreakable relationship with the "prosperity approach." Both should be in balance. However, this balance requires political stability. The triangle of security, prosperity and stability begins to emerge. There will be no prosperity without stability. And there will be no stability without security. But it can also be argued the other way around. There will be no security without stability. And there will be no stability without prosperity.

The censorship policy of the Government should be seen and understood in this line of thinking. Towards the domestic press the Government uses persuasion. In case of failure, legal action will follow. Closing down, whether temporarily or permanently, is an exception. Imported foreign dailies and magazines containing inaccurate and provocative news items and views about the Indonesian situation, which can have a destabilizing effect, are usually blotted.

Some people take issue with this policy. But what actually is needed in Indonesia today is a certain degree of stability, because absolute political stability tends to be too conservative, too static and too repressive to allow flexible change in a dynamic environment.

The environment of the Indonesian society today is really dynamic, in particular after we embarked upon a new "open door policy" in 1967. The great influx of foreign technical assistance and foreign capital, the enormous growth of cities like Jakarta, Surabaya, Medan and others, the aggressive expansionism of modern alien cultural and entertainment activities in our society, with all their positive and negative aspects, and last but not least the increasing number of modern mass-communication media such as cheap radio transistors, cassettes and television-sets in traditional village life, are all functioning as agents of dynamic change. However, they are also sources of resentment and reaction from certain religious quarters. They are also a source of that social-economic phenomena in every developing countries, i.e. the so-called "revolution of rising demands." If in the long run these rising demands are not sufficiently satisfied, frustration and tension will be the result. The magnitude of this phenomenon could only be discerned as a part of the top of an iceberg.

Mass-communication in Indonesia today is not merely a reflection of the whole set of interplay of forces balancing for security, prosperity and stability.

It is also an active factor in creating the preconditions in the minds of the people, to prepare themselves in the present changing situation and the acceleration of that change in the future. The call of the future is for dynamic change and modernization.

In short, mass-communication in Indonesia at the beginning of our independence was conceived as a socio-political instrument in the rebirth of the nation. Its task was not only the dissemination of news, but also of views and comments for information and enlightenment. It became an instrument of mass-education for our nation- and character-building. It developed into a means of socializing our State-ideology the Pancasila. Since Pancasila is firmly rooted in our cultural heritage, mass-communication functions also as a vehicle of cultural renaissance and economic development.

CULTURAL BACKGROUND

The Indonesian Archipelago was a crossroad of cultures and religions. The 13,677 islands are strewn like a necklace of bright emeralds around the equator, between the mainland of Southeast Asia and Australia. We call our country *Tanah Air*, meaning "Land and Water," thus combining the two elements which determined the destiny of our societies and cultures. Our indigenous culture was enriched by the Indian-Hindu and Islamic cultures. With the arrival of the West, came also the influence of European culture. The encounter between our indigenous culture with the Indian and Islamic cultures was of peaceful nature. That with Western culture, however, was more violent, because of the colonial character of the West. Indonesian culture is like a marbled cake. To understand the cultural dynamics of Indonesia one should not disregard the characteristics of the three older layers of Indonesian culture, and those of the contemporary modern culture which is today challenging and influencing them.

There are over 300 different ethnic groups in Indonesia, each with its own cultural identity; and more than 250 distinct languages spoken. Nearly all important world religions are represented. Thus everything in Indonesia is in diversity. Nevertheless, there is basic similarity. Beneath all outward differences, the archipelago shows an unmistakable unity with regard to cultural traits. In general it can be said that the Indonesian population during their age-old history has responded to the influences of alien cultures from East and West with receptivity, flexibility, but at the same time with selectivity. This response has given our society as a whole its greatest strength and durability facing cultural challenges from the outside world. We'd rather blend than reject.

This blend of unity in diversity is reflected in the official motto of the Indonesian Republic: *Bhinneka Tunggal Ika*, meaning "Unity in Diversity," which has been used since the kingdoms of centuries ago. The motto recognizes the cultural heterogeneity. But it aspires for cultural unity within a political united entity.

Today this political entity is embodied in the Pancasila State. Culturally, the Pancasila ideology is the re-assertion of the Indonesian identity of the past. It is based on traditional realities of the past. But it implies at the same time such modern goals as progress, prosperity justice, democratic freedom, and peace. Consequently Indonesia was, is and will always be open to cultural exchange with the outside world. Acculturation is welcomed. Nevertheless we reject alien cultural values of decadent nature, which erode our positive traditional values. We reject also cultural subversion. We do not want to be culturally uprooted. Nor do we want to petrify or fossilize ourselves culturally by nurturing obsolete traditional values which hamper progress and evolution. We want to strike and maintain the right balance between tradition and modernization. After having culturally survived from Western colonialism, we want a cultural revival. This should and could be done through cultural exchange between the peoples of Asia and Africa, who share similar experiences of Western colonialism.

In this context it is useful to reflect on the Bandung Conference, which provides us with new backgrounds and new dimensions in the global problem of cultural exchange.

THE CULTURAL CHAPTER OF BANDUNG

During the Bandung Conference we considered cultural, social and economic problems, next to political and security problems. The conference was convinced that among the most powerful means of promoting understanding among nations was the development of cultural cooperation. Asia and Africa have been the cradle of great religions and civilizations which have enriched other cultures and civilizations while themselves being enriched in the process. Thus the cultures of Asia and Africa are based on spiritual and universal foundations.

Unfortunately contacts among Asian and African countries were interrupted during the past centuries. In Bandung we were animated by a keen and sincere desire to renew our old cultural contacts and to develop new ones in the context of the modern world. We reiterated our determination to work for closer cultural cooperation.

But we stated very clearly in Bandung, that it was not from any sense of exclusiveness or rivalry with other groups of nations and other cultures and civilizations that we viewed the development of cultural cooperation among Asian and African countries. True to the age-old tradition of tolerance and universality, the Bandung Conference believed that Asian and African cultural cooperation should be developed in the large context of world cooperation. Side by side with the development of Asian-African cultural cooperation, the countries of Bandung desired to develop cultural contacts with others. This would enrich their own cultures and would also help the promotion of world peace and understanding.

This was to be achieved through bilateral accords emphasizing the exchange of cultural missions of artists and writers, inter-university exchange of teachers and students, the organization of special international seminars and the exchange of books and periodicals. Here were conceived of cultural exchange in a somewhat restrictive meaning. We limited the exchange of cultural activities to the fields of art, literature, science and folklore.

In this context we adopted the suggestions on the field of the acquisition of knowledge through the publication of monographs by governments and other institutions dealing with the cultural aspects of each country and on the inclusion of material on history, culture and civilization in the curricula of studies, taking care to ensure that books on Asian and African history were factually correct and emphasized cultural interdependence.

We adopted the suggestions on the exchange of information, stressing the indispensability of the role of mass-communication for the promotion of cultural cooperation. We recommended that Governments encourage the establishment of news agencies in their countries and offer necessary facilities for the exchange of news services between such news-agencies.

We recommended that Governments facilitate the entry, movement and accreditation of correspondents, in accordance with the law and regulations of each country, and encourage the exchange of cultural broadcasts and documentary films on reciprocal basis.

There was after the years of the Bandung Conference an enthusiastic response to the cultural call. Many conferences were held by writers, students, jurists, religious leaders, cultural groups of Asia and Africa. They felt the barrier of mis-information and ill-information between themselves. They felt the need for direct communication between themselves. They felt that cultural cooperation without communication between all cross-currents of society was impossible. They felt that communication was a part of culture as much as an influence upon it.

The so-called "cultural invasion" through Western mass-media and the resulting "cultural alienation" were discussed during those conferences, and so was cultural exchange between the non-Western countries of Asia and Africa and the Western World of Europe, America and Australasia. We welcomed cultural exchange, and mutual cultural adaptation on international global scale, or as it were cultural universalization. But we rejected cultural propaganda and cultural subversion, in particular from the West.

The cultural undertone of Bandung was not only restricted to the political field. It was felt also in the realm of economic development. For us the idea of economic development was not one of "economic-centrism." Rather, it should be a consensus on economic development on a broader basis with socio-cultural and politico-cultural undertone. We take our cultural values into consideration.

In our view the test for any international economic development was whether it contributed to the liberation of peoples from economic misery and human bondage, be it from inside or from outside. Although economic growth was fundamental to economic development, the real yardstick of success should be the extent to which it satisfied the socio-cultural and politico-cultural needs. This implied that the goals of development could be achieved if the structure of society was neglected.

Development was structural change, based on traditional cultural values. Development was renewal: renewal of socio-economic structure, renewal of political systems, but above all renewal of the *Mind* and *Man* as the source of cultural activities, in which science and technology should be woven into the fabric of our culture, rather than forcing culture into the uncertain stream of science and technology.

Bandung realized that the world was moving into the direction of one world, in which East and West meet, and were destined to mingle more and more. Their harmonious association was one of the most urgent problems of this century. How could such an association be effected, unless there was real understanding of each other's cultures and civilizations the world over?

THE THIRD WORLD

Since Bandung, a new world has been awakening. The West calls it the Third World. Western Europe and America are considered as the First World and the communist Eastern Europe and the Soviet Union as the Second World.

It is a collective term of French origin: *le Tiers Monde*, which has an obvious association with the pre-French Revolution "tiers etat," often attributed to *Alfred Sauvy*, the French demographer, economist and sociologist. This "Tiers Monde" embraces those states, not regarded or not regarding themselves as members of either the developed capitalist or the developed communists worlds.

The term was derived from a political and historical analysis based on the concept of a new branch in political science, that of "political culture." A political culture seeks to make more explicit and systematic much of the understanding between political behaviour and the fundamental cultural values of peoples and nations. Political culture denotes a set of attitudes, beliefs and sentiments which gives order and meaning to a political process, and which provides the underlying cultural values and expressions that govern behaviour in the political system.

If politics sometimes involves cooperation, and sometimes competition and conflict, cultural understanding usually strikes an acceptable balance between cooperation and competition. Hence political culture see Man and his Mind as the source of his political behaviour.

The term "political culture" has become popular since Bandung, when political scientists tried to analyze the deeper meaning of cultural values in the Asian-African World and their relations with political behaviour. This is one of the influences of the Bandung Spirit on the field of political and social sciences.

The Bandung Spirit as a manifestation of a political culture in the middle of the 20th century and after two World Wars, spread to Belgrade and Havana. It becomes the spiritual basis of the non-aligned movement today. Both Belgrade and Havana are located on the periphery of the cultural global West, the communist West and the capitalist West. The Bandung Spirit penetrates the fringes of the West. Many of the Latin American countries have joined the Third World. However varied their national outlook and their behaviour, the Third World of today refers to something real and important in international affairs.

The salient features of the Third World are: opposition to colonialism in all its forms and manifestations; opposition to racism as a means of cultural suppression; peaceful coexistence between states with different political, social and economic systems; the demand for a better deal for Third World countries in the international economic system; the establishment of a New International

Economic Order based on equality and justice; and a non-aligned position vis-a-vis the Cold War.

Since Bandung, the West has begun to realize the limited influence and the relativity of their culture. As *Prof. Jan Romein*, the co-author and editor of the UNESCO-publication "History of Mankind: Cultural and Scientific Development," stated in that book:

"The West began to understand that more than half of the earth's inhabitants are Asians and Africans, and that Europe and America, for all their present greatness and their long past, are not the only examples and standards of culture."

THE NORTH-SOUTH GAP: A NEW INTERNATIONAL ECONOMIC ORDER

Obviously, the ideas and ideals of the Third World are very ambitious. On the international economic field, for instance, they would like to establish a New International Economic Order. They see the world divided not only in the controversy between East and West. But they see a new gap emerging between the industrial developed North and the agrarian developing South. This gap continues to widen. A minority possesses a major share of resources and income. Hundreds of millions of peoples of the developing and under-developed South are poor and hungry, while a few rich countries of the developed North engage in large-scale consumption. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries which constitute 70 percent of the world's population, account for only 30 percent of the world's income.

It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The possessors of raw-materials are only marginally involved in industrial production. The international environment has not been particularly favourable to the poor countries of the South. Prices of commodities on which they depend heavily for export earnings have fluctuated downwards. On the other hand prices of their imports, especially capital goods and industrial products, have risen considerably.

According to the *Brandt-Report*, behind the North-South gap lies the fundamental inequality of economic strength. The report goes on that:

"It is not just that the North is so much richer than the South. Over 90 percent of the world's manufacturing industry is in the North. Most patents and new technology are the property of multinational corporations of the North, which conduct a large share of world investment and world trade in raw-materials and manufactures. Because of this economic power

Northern countries dominate the international economic system -- its rules and regulations, and its international institutions of trade, money and finance. Some developing countries have swum against this tide, taking the opportunities which exist and overcoming many obstacles; but most of them find the currents too strong for them."

In this context, mass-communication can help to arouse critical awareness of these problems among the concerned public. It can awaken the conscience of, and sensitize public opinion to, this major problem of the ever-widening gap of North and South.

NEW INTERNATIONAL INFORMATION ORDER

But the reality is that many media of the North simply reflect and bolster a self-interested public opinion. Besides, the means of mass-communication are concentrated in the highly industrialized countries of the North. As a result there is a serious inadequacy and imbalance in the flow of news. The great majority of countries of the developing and underdeveloped South are reduced to being passive recipients of information, which is disseminated from a few centres in the developed North. Most people of the Third World are forced to see each other, and even themselves, through the media of these centres. Actually, the present situation perpetuates the colonial era of dependence and domination in the field of information. This dependence and domination confine judgements and decisions on what should be known, and how it should be made known, within the hands of a few. And this in turn retards the achievement of political and economic growth.

For this reason Indonesia is in favour of letting the world move towards a new more just and more efficient World Information and Communication Order. We endorse the report of the UNESCO-Commission for the study of communication problems, under the chairmanship of the Noble prize winner *Sean MacBride*. The report was published under the title: "Many Voices, One World." One of the recommendations deals with the problem of "strengthening cultural identity." It says:

"Promoting conditions for the preservation of the cultural identity of every society is necessary to enable it to enjoy a harmonious and creative inter-relationship with other cultures. It is equally necessary to modify situations in many developed and developing countries which suffer from cultural dominance. We recommend the establishment of national cultural policies, which should foster cultural identity and creativity, and involve the media in these task. Such policies should also contain guidelines for safeguarding national cultural development while promoting knowledge of other cultures. It is in relation to others that each culture enhances its own identity. Communication and cultural policies should ensure that creative artists and various grass-roots groups can make their voices heard through the media."

Today virtually no one disputes the reality of the imbalance in the flow of news and information between the industrialized and developing countries. *Roder Tartarian*, the former Vice-President of UPI, admitted this. At a Cairo meeting of press representatives in 1978, he said:

"There is in fact imbalance in the flow of news, both in content and volume from the developed to the developing world. It is true that this reflects the disposition of global military, economic and political power. There is an acknowledged tendency among Western media to devote the greatest attention to the Third World in times of disaster, crisis and confrontation."

President Reagan addressing the Speaker of the United States House of Representatives some time ago stated:

"We recognize the concerns of certain developing countries regarding imbalance in the present international flow of information and ideas. But we believe the way to resolve these concerns does not lie in silencing voices or restricting access to the means of communication, but in encouraging a broad and rich diversity of options."

Obviously, the method advocated by President Reagan is not completely acceptable to most developing countries. Nevertheless there are serious efforts to redress the imbalance in the world's communication flow. What is still not yet reached is the consensus to correct it. There is still the wide gap between the concepts of news between the Third World and the West. The Third World thinks of news in terms of information about agriculture, about education, about health etc. When the West thinks of news, it thinks of stories about events, about things that happen. For the West information is commodity. For the Third World it is a social necessity.

Mr. Mohammad Nahar, the Deputy General Manager of our Indonesian national news-agencies *Antara* said recently that developing countries are overloaded with information not of their own making and quite irrelevant to them. They not only learn too much about developed countries but also learn about themselves through the developed countries. In many occasions they see their own faces reflected from afar, ugly and deformed. And he went on to say:

"The developing societies have totally different requirements of their news media forum the prosperous and stable societies. News should not necessarily be conceived merely as a series of distinct events, but should be brought back always to a fundamental process. The argument is not one for good news rather than bad news, but for news in its due context. Afterall, unpleasant facts don't disappear by being swept under the carpet. News is not just a commodity merely to be bought and sold, but a social good. The problem is how to strike a balance between the commercial aspect and the social aspect."

One way of materializing the idea of a New World Information Order is through strengthening news agencies in the developing countries. The developed world can lend a helping hand with a view to strengthening the in-

frastructure of these news agencies. But assistance given to them should not lead to increased dependence. On the contrary, it should strengthen their endogenous and autogenous capabilities.

And the Indonesian Minister of Information, Ali Moertopo, addressing the sixth session of the Inter-Governmental Council for the Coordination of Information among Non-aligned Countries in Valletta, Malta, last year, stressed the necessity of linking the formation of the New International Information and Communication Order with the aim of building the New International Economic Order. It should also promote the cultural aspects of the matter to the effect that each nation has the right and duty to determine its own cultural destiny. Otherwise it will lose any meaning and any relevance to the needs and challenges of our time.

ASEAN REGION

While Indonesia is active in promoting communication and cultural exchange within the Third World and the Non-aligned movement, she is also active in the ASEAN region, where communication and culture are interlinked with each other.

We established in 1967 an ASEAN Permanent Committee on Culture and Information. It has adopted a basic framework covering five program areas, namely: visual art, performing arts, literary works, ASEAN studies and communication media. These program areas are being translated into various project activities in the form of exchange of persons and cultural groups; scholarship and fellowships; exhibitions, fairs and festivals; researches, observations and study tours; training, lectures, demonstrations and workshops; seminars, symposiums and conferences; comparative studies, data collection, and inventory; production, publication and documentation; awards and recognition, and others.

These programs of the ASEAN Committee on Culture and Communication, abbreviated as ASEAN-COCI, show that there are available sub-regional institutions in Southeast Asia which deal with culture and communication; and which could further explore the possibilities of broadening the activities to other adjacent regions.

It could be useful that the "Asian-Pacific Cultural Center" in Taipei make the initial contacts with the ASEAN-COCI, if this has not yet been done. Indonesia was honoured to be elected Chairman of the COCI for 1982-1984. Regional cooperation on mass-communication, and cultural exchange through

mass-communication could then be further promoted on a larger and wider scale, in particular between Southeast Asia and the Asian-Pacific region.

According to the latest report of the ASEAN-COCI, the television organizations of the five ASEAN countries expect to start soon a regional television-news exchange project for which Indonesia has offered the use of the *Palapa* satellite. It is planned that the news editors of the ASEAN television will have a daily conference to decide on the events of the day and their television-coverage for exchange among themselves. It is hoped that in this way ASEAN television-audiences will get to know each other better while at the same time the project will help improve the capabilities of television-news production in the countries concerned. In the end it is expected that this project of regional cooperation will pave the way for other regions to redress the imbalance in the international flow of information.

In addition, there are ASEAN non-governmental organizations, such as the Association of ASEAN Journalists (AAJ), the ASEAN Publishers' Association, the Federation of ASEAN Public Relations Organizations (FAPRO), and the informal but highly productive cooperation among ASEAN news-agencies under the ASEAN News Exchange Network, all of which are active sub-regional organizations.

THE ASIA-PACIFIC REGION

Reflecting on the general problem of "Mass Communication and Cultural Exchange in the Asia-Pacific Region," and taking into consideration the political, social and cultural background of our mass-communication in Indonesia, attention should be paid, in conclusion, to the following points:

1. In recent years a group of developing countries in the West-Pacific, north of Southeast Asia, has emerged as significant exporters of manufactured goods. They join the rank of the "industrialized countries of the West and of the North." These nations have been termed the NICs, the "Newly Industrializing Countries." They are South-Korea, Taiwan, Hongkong and Singapore. They have followed the footsteps of Japan, Canada, Australia and New Zealand around the Pacific region;
2. With the exception of Singapore, the ASEAN countries are still in the "developing stage";
3. Thus the global borderline between the developed industrialized North and the dominant agrarian developing South becomes visible in our ASEAN and Asia-Pacific regions;

4. This is beginning to create a gap in standard of living and technological developments between the NICs and the four ASEAN countries, introducing in its wake the global trend towards an "imbalance of flow of information";
5. Since the NICs in general are comparatively small in area, resource-poor and densely populated, while Southeast Asia is short on capital and has abundant natural resources and abundant low-cost labour, the economic relation between both groups of countries could develop:
 - a. either into an interdependent complimentary one;
 - b. or into a controversion of the economic dependency of Southeast Asia upon the NICs;
6. There is a general misgiving in Southeast Asia that, together with the gigantic industrial powers of Japan and the USA, and the industrial potentials of the "sleeping, but now already awakened giant on the mainland of China," the NICs will develop an economically exploitative relationship with Southeast Asia. The consequences will be a repetition of the historical scramble for markets, energy resources, raw-materials and sea-lanes in Southeast Asia. This sort of development should be prevented;
7. As has been stated by the National Planning Association in Washington DC, in its study on "the emergence of the Newly Industrializing Countries (1981):

"It is probably no accident that the four East-Asian NICs are inhabited by ethnic Chinese in three cases, and by people of a closely related culture in the case of South-Korea. It may also be noted that the Japanese, stemming from the same larger cultural area, have previously exhibited many of the same qualities as the East-Asians following in their path";
8. This same cultural trait has been mentioned by the "Asia 1980 Yearbook" of the "Far Eastern Economic Review" as having the same bearing on the progress and stability of the NICs. The "Asia 1980 Yearbook" mentioned the "Pan-sinic" appeal to these countries, and the "mainstream of the Confucian tradition" as factors which should not be overlooked;
9. There were economic and political factors which were conducive to the creation of the NICs, yet cultural factors of some sort did seem to be involved in the process of the NICs-evolution. This should compel us to give further attention to efforts for the promotion of cultural exchange between the Asia-Pacific region and the ASEAN countries. "Pan-sinic Confucianism" is felt in Southeast Asia as a peaceful, but expansionist economic culture;

10. In promoting cultural exchange in the Asia-Pacific region, including the region of Southeast Asia, through mass-communication, due attention should be given to the problems of the global imbalance of flow of information, and the economically expansionist Pan-sinic Confucian culture;
11. Ways and means should be drawn in a conceptual framework to promote the pacific and peaceful encounter of the Pan-sinic Confusion and Southeast Asian cultures to bridge the gap between "North and South" in our region, and to redress the imbalance of flow of information, so that the Asia-Pacific region together with the Southeast Asian region can provide an example to the world of how the pressing global problem of "North and South" could be solved practically and amicably. How utopian this may sound, and how long and difficult the journey to that goal will be, the first practical and realistic step must be taken.

The Japanese Economic Strategy: Sogo Shosha and ASEAN

J. PANGLAYKIM

INTRODUCTION

The business relationship between ASEAN and Japan may be observed from different points of view. From the point of view of the economists, it may generally be observed from the trade statistics and investments as they developed during the last 10 years. But these figures mainly show the development in the foreign investment and trade sectors. Other figures insofar as they concern the services sector (banking, shipping, consultancy, insurance, to name only a few) are not normally very much exposed. Foreign investment figures are normally included, but they are generally confined to figures based on the formal application and implementation of the investment projects, perhaps sub-divided into manufacturing, etc. Other figures, which may be bigger and more important such as those covering the various types of credit for machinery, equipment, raw materials, etc., are generally not available. It is known to many economists that the investment figures are only part of the total investment in, and the channeling of funds to, ASEAN. For instance, if a big Sogo Shosha (= general trading firm) has officially invested US\$ 100 million in a number of projects, the amount involved in other types of activity which are perhaps related to these investments and other types of business, may be ten times bigger. We would then be able to feel how huge the amount is that is involved in the investment and trade sectors. Other types of activity like the winning of so many large contracts for the construction of LNG, petro-chemical, and other government projects might not have been included in the official statistics, but the amount involved in these projects and government purchases could run into billions of US dollars. If we

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assess the above-mentioned explanation, we might now have a feeling of the importance of ASEAN for the Japanese businessmen because of the huge amount involved in the activity, the number of people taking part in these deals, the possible leakages flowing out of such big deals, the tensions which might have arisen among the interested parties, the number of government officials involved in all these deals, etc. In other words, the relationship in these fields of activity can be considered as very intensive.

Foreign Investment

The table in Appendix 1 shows the Japanese direct foreign investment in ASEAN in the fiscal year of 1980 and 1981. The Japanese foreign investments in Indonesia, for instance, in the fiscal year of 1981, amounting to US\$ 2,434 million, are concentrated in resource-based industries such as the development of oil and gas. In Singapore, in the same fiscal year, that is, from April 1 to March 30 the foreign investments, which amounted to US\$ 266 million, are mainly in financial and commercial services sectors. This places Singapore as the third most important Asian investment centre for Japan.

Trade

Appendix 2 shows Japan's exports and imports to and from ASEAN in 1980. Exports to ASEAN countries amounted to US\$ 13 billion, consisting of Thailand US\$ 1.9 billion, Singapore US\$ 3.9 billion, Malaysia US\$ 2 billion, Philippines US\$ 1.6 billion, and Indonesia US\$ 3.5 billion.

Imports from ASEAN countries amounted to US\$ 21 billion. Members of ASEAN, respectively Thailand has 3.5 percent of the total share of Japan's imports or US\$ 1.1 billion, Singapore 4.7 percent or US\$ 1.5 billion, Malaysia 10.9 percent or US\$ 3.5 billion, Philippines 6.1 percent or US\$ 2 billion, and Indonesia 41.5 percent or US\$ 13 billion. This gives as a picture of the Japanese investment pattern which is focused on manufacturing industries.

As indicated earlier, we will only very briefly discuss the quantitative aspects of the business relationship between Japan and ASEAN. From the point of view of foreign investment, the Japanese, as is already known to many of us, have concentrated their investments in the manufacturing sector, and this pattern has been very much reflected in the import trade pattern from Japan, which is heavily concentrated in industrial raw materials, machinery, and equipment as a result of the concentration in manufacturing. On the other hand, ASEAN, especially Indonesia, has become the supplier of oil and unprocessed raw materials such as bauxite, copper, nickel, rubber, timber, and palm oil.

Sogo Shosha (General Trading Firm)

If we observe this business relationship from the institutional point of view, the main actors in this arena are the big general trading firms, which have initiated at the beginning stage a number of joint ventures with industrial units in Japan. In practically every joint venture the general trading firms (Mitsubishi, Marubeni, Nissho Iwai, C. Itoh, to name only a few) were involved as promoters and initiators. Hence, it is important to note that the amounts invested officially in the numerous joint ventures constitute only a part of the total commitment in terms of the various types of financial arrangement with the ASEAN business and industrial sectors. The total amount involved and committed by the general trading firms, be it through the Sogo Shosha's, merchant banks, or other Japanese financial institutions, might be quite substantial as was indicated earlier. The officially invested amount, however, is only a tip of the iceberg. This also cannot be said to be all, because it is very difficult to estimate the total amount involved and committed by the Japanese private sector to the ASEAN business and industrial sectors.

From the national point of view, the ASEAN trade pattern seems to be very much oriented to the Japanese economy as a result of the heavy investment in the manufacturing sector, while from the point of view of the operational side, we have seen the presence of, and at times the dominating role played by the business and industrial actors, but in all cases it is the presence of the Sogo Shosha's that is very much in the picture through the business, industrial, and banking sectors.

We shall discuss the role played by the Sogo Shosha's in more detail at a later stage of this paper.

THE FOCUS OF THE PAPER

We are aware of the many economic analyses prepared by economists, research institutions, etc., about the economic relationship between ASEAN and Japan. We are now approaching the subject of business relationship between ASEAN and Japan from the point of view of the actors who played an important role in shaping up this relationship. We are, however, more concerned with the operational aspects of this relationship, particularly about the strategy, structure (the way they organize themselves), and environment, which have brought about results that are beneficial to those actors-involved at the operational level. In plain business language, we will focus our attention

on the various Japanese firms involved in the operation of trade, investment, and services. We are interested in assessing and analyzing the way they may have formulated their strategy, structure, and organization that made it possible for them to operate in the ASEAN environment successfully to make the relationship at the business and industrial level more and more asymmetric. One of the important actors and players who have played not only a pioneering but also an effective role in the implementation of the Japanese national strategy is the group of Sogo Shosha's as part of the considerably bigger groupings and as part of what we call the Japanese integrated national system. This has made the actors and players become a formidable power which the ASEAN countries have to face in their relationship with Japan in the business, industrial, and investment sectors.

In analyzing the role, importance, and behaviour of the actors and players, a concept proposed by Hollerman¹ seeks to explain on how to approach the business relationship between Japan and the ASEAN region.

Hollerman's Approach and Concept

Impact of the Relationship

The impact of the relationship might originate from structural and policy sources.

1. *Structural Sources.* One of the important sources, which could be seen as structural, is the "vertical anatomy of Japan's foreign trade." In our terminology, the organizational set-up of the industrial and trade complex of the Japanese actors is seen as a vertical/horizontal conglomerate which is the result of Japan's strategy based on export-led industrialization. This is a consequence of its economic structure which is less endowed with natural resources. This Japanese strategy has led to the organization of vertical and horizontal conglomerates as part of the Japanese integrated national system.
2. *Policy Sources.* As a result of the above-mentioned strategy, Japan has to pursue a "supply-side strategy" which is linked with the doctrine of dynamic "comparative advantage." Its objective is to "achieve competitive power in the USA market." Having been successful in penetrating the competitive American market, the market of the rest of the world will be

¹Leon Hollerman, "Japan's Economic Impact on the United States," *The Annals*, March, 1982.

much easier to penetrate and to acquire a substantial share of the domestic and international markets.

Nature of the Business and Economic Impact

1. *Sources and Nature of Impact.* The economic impact could have arisen from a number of sources. This could be functional, either of a direct or indirect nature, or at the macro or micro level, but it could also be policy-based or structurally oriented. This means also that the impact could be a mixture of this all, originating from a number of sources.
2. *Functional.* Japan as a whole and the actors in particular have become suppliers, customers, competitors, and promoters, all in one. This will result in the flow of goods, services (banking, etc.) people, capital goods, equipment and technology. In other words, they have managed to become providers, suppliers, customers, and promoters of assortments of goods and services.
3. *Macro Level.* Impact may be a result of the rate of economic growth, degree of price stability, level of employment, yen exchange rate, and balance of payments surplus (almost no deficit). For example, the importation of Japanese goods will benefit the customers, but this will affect the balance of payments of a country. The era of double rate economic growth, followed by a slow economic growth, has an impact not only on the domestic scene, but on the international business sector as well. The yen exchange rate, which is seen as being still undervalued, has been observed as a cause of the steady growth of Japanese export to the various industrial countries.
4. *Structural Impact.* The competition of Japan's trade and its shortage of natural resources have a tremendous impact on the way it handles and manages its national and international businesses. Its exports trade is concentrated on a number of products such as electronic products (television, etc.), motor vehicles (Honda, Toyota, Suzuki, Yamaha, Datsun, etc.), etc., while the composition of its trade to developing countries is made up mainly of unprocessed raw materials, including oil, heavy chemicals, industrial products, machinery and equipment. Its import trade is concentrated on mineral products, particularly oil, LNG, etc.
5. *Policy-oriented Impact.* Because of its export-led strategy, Japan's economy is a "free-market oriented economy." The Japanese are considered as free traders in the international business world, but domestically they have put a number of intricate tariff and non-tariff barriers (formal and informal), which are by nature economic, traditional, social, cultural, as well as political. The case of the subsidy to the farmers, the grass roots

for political power of the Liberal Democratic Party, is a case in point. It appears that domestically Japan has to rely on its monetary policy and less on its fiscal policy.

Although Japan is seen by many of us as having developed a system of formidable economic power, its economic and business dependence on the international business world could be interpreted as an indication of instability. Compared to other industrial countries, Japan is much more vulnerable to international economic disruptions, but its power of being able to arrive at a national consensus when faced with problems like adjustments has enabled it to face and handle major economic crises. This is, however, less apparent in the political arena.

As indicated by Hollerman, all Japanese decisions, be they made by the private as well as government sectors, seem to reflect "national interests, e.g. survival, independence, continuity, stability, and economic security." This is basic insofar as the implementation of the national strategy is concerned which will, in turn, determine the policies to be pursued in the political, military, and economic fields. But as Japan has found out, particularly in the last economic summit at Versailles and also in its relationship with the United States, which has reached a "boiling point," it has to come to the realization that it will be less and less in a position to separate economics from politics.

Another View: The View of Far Eastern Economic Review (FEER)

The conclusion reached by the *Far Eastern Economic Review* (FEER) in a focus article in its June 11, 1982 issue, entitled "Japan '82: The Trade War" will be reclassified here in terms of the systematic approach suggested by Hoilerman.

1. *Functional*. "Japanese society is not basically about making money but about finding a place in the world by trade, meaning securing as large a share as possible of the world markets. The Japanese have no other way of living, let alone of living well."
2. *Structural*. Many of the conclusions reached by FEER seem to be of a structural nature. They are formulated as follows:
 - The Japanese have a more effective programme for development (i.e. they actually *have* a programme) and for pushing ahead in trade. Other people do not like it;
 - The sort of thing considered normal in the "me-me" societies of the West (consumer protests against the high prices of luxuries, parallel channels of import to cut prices, discount houses, and bargain basements) either

does not exist in Japan or only operates when they do not hurt the interest of the Japanese. Foreigners are baffled and suspect cheating;

- Japan is correctly suspected of being an unreliable ally because alliance is a Western concept, unknown in Asia. Confucian societies understand empires (technically, Japan still is one), hegemony, tributary kings, and client states. All these are derived from the idea of the harmonious hierarchy, the fundamental notion of Confucianism. It may be (long term) more realistic than the Western idea that partnership between unequals is practical politics;
- As Japan pushes ahead in the technological race, as it shows many signs of doing (ask Portuguese consumers), Japanese society will probably move further from Western individualistic notions, not closer. Others, especially in Asia, may be prompted to follow the Japanese example;
- The Japanese still value internal harmony above the good opinion of foreigners because they have a long history of domestic strife, have evolved techniques to contain it and have hardly any experience of getting along with the outside world. This may explain their touching faith in Rich Country - No Army."

3. *Political*. "The industrialized world's current dispute with Japan is not about trade, but about economic development and technological progress."

From the functional point of view, Japan's position is to acquire a strong and dominant position in the world market and this is in accordance with the structural aspect that will enable Japan to implement its strategy:

- a. Ability to come with effective programme;
- b. Alliance concept which differs from the Western concept. Consciously or unconsciously, its alliance concept seems to be more toward the "empire and hegemony mentality or outlook;"
- c. Surging ahead in the technological race;
- d. Maintenance of internal harmony (inner national strength) which can bring about a sense of national mission.

And from the political point of view, it is a race for economic development which is now basically a race in technology.

PROVISIONAL PROPOSITIONS

Based on the above-mentioned concept and conclusions, the following propositions may be suggested:

The nature of power or influence exercised by the actors and players in the business relationship between the ASEAN countries and Japan originated from a number of sources which are structurally, politically, and culturally based. This blending of all the strengths originating from the different sources has been responsible for the creation of an informal, unseen, and disguised "integrated national system." It would seem that the ingredients of this integrated system are translated by the business/industrial sector into the following combination and mobilization of forces (see the diagram in Appendix 6).

1. *Management.* Cohesive, disciplined team, and experienced management, strongly based on the Japanese culture, has developed a unique Japanese management style, among others, based on seniority, loyalty, and collective responsibility.
2. *Technology.* If at the beginning Japan's stage of development in the technological sector was based on the making and buying of technology from the international world and on making it also commercially feasible, it has now developed its own capabilities. And the Japanese consensus is to go for a "knowledge-intensive era."²
3. *Capital.* Based on a high ration of savings, the Japanese financial sector, namely the big banks, has been able to provide the Japanese business sector with the huge capital needed for the implementation of its national strategy. The Japanese banking sector with its access to the international money and capital markets has been supporting the implementation of the national strategy (export-led growth and industrialization economy).
4. *Governmental Support.* The formal and informal linkages, which exist among the business, political, government, and bureaucratic elites, have always been able to create an atmosphere in which the government has been playing the role of initiator, innovator, and supporter, along with the business, industrial, and banking sectors, depending upon the national and international environments.
5. *International Network.* The international network of information, offices, representatives, joint ventures, etc., which the conglomerates have developed during the last 25 years, has been one of the many key elements in their performance and has added to their strength in acquiring a dominating position in the international business arena. This includes the network of the Sogo Shosha's, banks, Jetro, etc.

²See "Japan and the US are Struggling for Supremacy in Semi-conductors," *Times*, August 9, 1982, and "Japan's High Technology Challenge," *Newsweek*, August 9, 1982.

6. *Vertical and Horizontal Organization.* The vertical and horizontal organization of the various groupings in the business, industrial, and banking sectors has been both an integrating and efficiency factor. Groupings like the Fuyo Group, Daiichi Kangyo Group, and the Mitsui, Mitsubishi, and Sumitomo Groupings have at the centre one of the main banks and one of the big general trading firms. The Fuyo Group, for instance, consists of the Fuji Bank as the centre in finance and Marubeni as the general trading arm. This has enabled them to provide an assortment of services and products.
7. *National Mission.* Along with the above-mentioned factors, which the Japanese have developed during the years with a view to implementing the national strategy and translating the national strategy into an operational one, a sense of national mission and a kind of "empire mentality" have also been developed; either consciously or unconsciously, which have inspired the top business leadership and their team of managers.

The combination and mobilization of these seven factors or strengths could be interpreted as an "integrated operational system" which has no match in the international business world. It would be interesting to know whether this is also perceived by the Japanese business leaders and bureaucratic elite. This is how the author perceives the economic and business power which has been developing during the last 25 years, and this mechanism has proven to be a very effective and powerful economic weapon to face all kinds of economic crises.

We have now come to a stage in the discussion where we can elaborate more fully into the subject matter that concerns the Sogo Shosha's and their business relationship with ASEAN.

SOGO SHOSHA, THE MAIN MECHANISM FOR THE IMPLEMENTATION OF THE EXPORT STRATEGY

The formidable economic power created through the combination and mobilization of the "seven samurai's" is reflected in the position of strength of, and the role played by, the Sogo Shosha's in the implementation of the Japanese export strategy. Yoshiro Kunio, in his newest publication entitled "Sogo Shosha -- The Vanguard of the Japanese Economy" characterizes the important role played by the nine Japanese general trading firms in the creation of a strong position in the world market. An earlier book was published by Alexander K. Young, entitled "The Sogo Shosha's Japan's Multinational Trading Companies." There are several other publications on the general

trading firms, including those published by the Sogo Shosha's themselves like Mitsui, Mitsubishi and Marubeni. They are apparently the mechanism which reflects the combination and mobilization of these seven strengths of Japan. Another book worth mentioning was published lately by Chalmers Johnson, entitled "MITI, and the Japanese Miracle. The Growth of Industrial Policy, 1925-1975," which describes the economy of Japan as a rationally planned economy compared to that which is planned ideologically. He stresses that the developmental orientation has predominated throughout the Japanese business history. He also mentions that "... Japan has produced Keynesian policies as early as 1932 without a Keynes" and has called Takahashi the Keynes of Japan. The question might be raised whether or not Keynes was aware of the Japanese policies when he wrote his works.

MITI has been the main vehicle of the Japanese government and bureaucracy in guiding and assisting the nine Sogo Shosha's in their role of acquiring a dominant position in the world market and international business.

Sogo Shosha, Part of a Conglomerate

It is known that each Sogo Shosha is part of a bigger vertical and horizontal conglomerate. Mitsubishi Corporation is part of a 28-company conglomerate which includes Mitsubishi Bank, Mitsubishi Heavy Industries, Mitsubishi Chemicals, etc. Sumitomo with 21 companies includes Sumitomo Bank, Nippon Electric, etc., while Mitsui with 23 companies also incorporates Mitsui Bank, Toyota, Toshiba, etc. Marubeni Corporation as part of the Fuyo Group has Fuyi Bank, Nippon Kokan, Hitachi and Nissan Motors as members of the conglomerate. Nisho Iwai and Nichimen are part of the Sanwa Group which also includes the Sanwa Bank, Kobe Steel and Hitachi Shipbuilding. Under the Dai-Ichi Kangyo Group we find C. Itoh, Dai-Ichi Kangyo Bank, Fujitsu, Kawasaki Steel, etc.

A list of these six conglomerates may be found in Appendix 3.

Assortment of Products and Services

Organized as one of the moving units in the vertical and horizontal conglomerates, these Sogo Shosha's are in a very excellent position to provide the international and national markets with an assortment of products and services. This includes products that range from needles and petroleum product to complete factories. However, in providing services, this does not only include quality control, design of factories or advice on marketing, but also

provides many of the developing countries with a variety of financial services such as equity participation, credit on deferred payment basis, credit for the purchase of raw materials and components, etc. This also includes services such as taking advantage of their international network of offices, branches and representatives. To give us an impression of the diversity of business, a list of activities from the Mitsubishi Corporation's semi-annual financial report of March 1972 may be found in Appendix 4.

Composition of Sales of the Nine Sogo Shosha's

The Industrial Review of Japan 1981 published the composition of sales of the nine Sogo Shosha's as at 31st March, 1981 as follows: Fuels and chemicals 27.9 percent, Metals 25.4 percent, Machinery 19.9 percent, Food 12.5 percent, Textiles 7.5 percent, and Others 6.8 percent.

Sales of the Nine Sogo Shosha's

Appendix 5 gives us the amount of sales of the nine general trading firms from 1968 to fiscal year 1981. As we can see from the 1981 figures, around 60 percent of the sales of the Sogo Shosha's is in the area of international trade, while only around 40 percent seems to have originated from the domestic sector. The share of the Sogo Shosha's from the total Japanese trade in the export sector is 49.5 percent and in the import sector 59.6 percent, while the earlier figures of 1968 and 1972 show a percentage of more than 60 percent in the import sector.

These impressive figures serve to indicate the successful role played by the nine general trading firms in the implementation of the Japanese strategy of prominence in the international trade in that they have succeeded in penetrating the international world market.

Sogo Shosha and ASEAN

The volume of trade in terms of export to the ASEAN countries shows an impressive figure of around US\$ 31 billion while the import figure was around US\$ 32 billion during fiscal year 1980. Trade with the ASEAN countries goes along with investment, and the total investment in the ASEAN region seems to have surpassed the US\$ 5 billion mark, with Indonesia topping at around US\$ 3 billion.

Investment and Trade of the Nine Sogo Shosha's

The fact that the nine Sogo Shosha's have acted as promoters of numerous joint ventures in the manufacturing sector has enabled them to increase the trade between them and the ASEAN region. One can see that an investment of around US\$ 5 billion has resulted in impressive figures of around US\$ 31 billion in the export sector and US\$ 32 billion in the import sector. As promoters of the numerous joint ventures (and if allowed 100 percent control) the nine Sogo Shosha's have organized factories from textiles, chemicals, galvanized iron sheets, weaving yarns, motor cars to motor cycles with practically all well-known brands from Japan.

In the case of Indonesia, the motor car and the motor-bike business has been dominated by the Japanese, that is, from Toyota, Mitsubishi and Honda to Yamaha, Honda and Suzuki respectively. With the exception of Mercedes and perhaps Volkswagen, other Western and American-made cars have not been able to compete with their Japanese counterparts.

The electronic industry is another sector which is almost completely dominated by Japanese-made products, starting from Hitachi, Sharp, Toshiba, Sony to Sanyo. It is the same case with air-conditioners, washing machines, and other electric appliances.

The investment in these joint ventures has increased the volume of trade tremendously. All these joint ventures have to import not only components, spare parts, but also industrial raw materials from Japan. This dependency of the ASEAN manufacturing sector in terms of supply of industrial raw materials, technical know-how, components, spare parts, etc., has been developing because in many of these joint ventures the Japanese partner still has the majority of shares and is thus still in command of the management.

Although there are regulations in practically all ASEAN countries that within a certain period of time the majority of shares should be in the hands of the national partner, many obstacles have yet to be overcome. It is not only the majority aspect, but other aspects such as technical know-how, access to market, marketing skills, devotion, discipline and financial support, appear to be factors which any joint venture has to take into account before it will be able to have real control of the operation.

Partly Accepted as Member of The Family

In the mind of the Japanese conglomerate, all the joint ventures are apparently regarded as its extended arms all over the globe. Many of the top

management in Tokyo consider and treat all these joint ventures as part of the "family", and as such the maturity or independent process may never take place. It seems to be unthinkable that the Japanese manager here will be fully loyal to any joint venture when it comes to a choice. His loyalty base is his parent company and he has grown up in this milieu.

One cannot blame the Japanese manager stationed in an ASEAN country to be oriented to his HQ. It is part of the integrated system, as discussed earlier. He has no choice but to be loyal to his HQ in Tokyo. He is part of the conglomerate in Tokyo. Therefore, it is not yet possible that a joint venture will have as its top man an ASEAN national so long as the majority is in the hands of the Japanese partner (probably there are exceptions in some cases in Singapore or other ASEAN countries). But it is still unthinkable that the office of a Sogo Shosha in the capital of an ASEAN country will be headed by a national, because so far we have not yet seen a Japanese bank branch headed by a national. The national cannot fit in with the Japanese integrated system, their decision making process, etc. The national side is just a foreign element which comes from a completely foreign culture. Therefore, as discussed earlier, we are not part, or are not a fully accepted member, of the "Empire Family." It may take a long time before such a change can take place.

National Sectors of ASEAN

The ASEAN business, financial and industrial sectors have been developing toward maturity in the last 15 years. These sectors have developed their capability and their capacity. The growing capability will enable us to be treated as equal partners. Although the stage of capability and capacity among the ASEAN private and government sectors may differ, it is a fact that almost all ASEAN countries will be in a position to create what is called "Third World Multinational Corporation." The growing capability can be seen in the establishment of bigger groupings such as Sime Derby, Garuda, SIA, DBS, UOB, Waringin Group, Astra Group, Dunlop, MUI, and Bangkok Bank Group.

The increased capability and capacity of these sectors have enabled us to dismantle the formal package-deal joint ventures. We are now in a better position to capitalize and manage a number of projects without accepting the package-deal principle. This has been a pattern of the past. Access to the international capital and money markets, access to the technological market and the national credit standing of the ASEAN countries are important factors in translating the macro strength into the national asset.

But one has to be realistic to recognise that a Sogo Shosha is still a formidable economic and business power with its ability to provide the international business world with an assortment of products and services (including its international network). This means that the challenge of the business, industrial and banking sectors in the years to come is to create such a mechanism. The creation of business organizations, which will be able to provide an assortment of services, seems to be inevitable if we want to have a respectable presence in the international business. The challenge in the years to come is whether the ASEAN business leaders will be in a position to organize themselves into such conglomerates.

PRELIMINARY OBSERVATION AND CONCLUSION

From the quantitative and qualitative points of view, it may be asserted that the business relationship between Japan and ASEAN is inclined to go in the direction of an asymmetric relationship.

The qualitative side has been illustrated by the tables and the various data in the appendices, indicating the strong and dominant position of Japan in both the trade and investment sectors. This may be more the result of its qualitative strength, because it does not only apply to the Indonesian case but also to the relationship of Japan with the international business world.

Japan's strategy of pursuing a dominant presence in the international business world has brought about a dynamic process of combining and mobilizing all its resources, strengths, and homogeneity of cultural background. The Japanese economic and business machinery has established an integrated national operating system which has no match in the international world. The Japanese concept of alliance, which is most probably, either consciously or unconsciously, a kind of "empire mentality and hegemony" seems to be reflected in their sense of mission of finding a prominent and dominant position in the international business world. This has made it possible for the Japanese to translate the national strategy into an operational strategy. It means that they have succeeded in combining and mobilizing management, technology, capital, governmental support and guidance, international network, vertical and horizontal organization, and a sense of national mission of hegemony of the empire mentality concept. In so doing they have created an "integrated national system" and have at the same time also assigned the implementation of this system to the actors in the world of national and international business. The big conglomerates, together with their Sogo Shosha's (general trading firm) and their banks, are the most effective actors in acquiring a dominant position in the international business scene. The machinery

created by the Japanese will be able to cope with many of the economic crises experienced by all nations.

With this economic and business power as its weapon, Japan has managed to dominate the international business world and to develop such a dynamic approach that the industrial world, probably the USA, now seems to be declining further and further. It appears that practically all the industrial nations have lost both their dynamics and national strength. So the world of business now seems to be developing into two camps, of which one is Japan with its formidable economic and business superpower and an effective mechanism of a range of formidable actors, and the other the industrial nations with their actors whose strength is declining. As can be expected, this situation will end up in a strained relationship. It is forecast that the world is going back to the oldest system of trade, that is, barter, while the word "protectionism" is also going to be accepted even by the most respectable economists (champions of the free trade principle) if the national cause is at stake. If the industrial nations, which have been considered as the most advanced nations, do not seem to be able to match the Japanese actors, what will then be the future?

The developing strained business relationship in the world today appears to have transcended into the political arena. It will not be the case of the various actors of international business anymore, because it will not be the domain of the politicians and the policy makers. These people will be responsible as to whether there will be another trade war or not.

The race and the challenge of the future between the economic superpowers, that is between Japan and the USA, will be a technological challenge. With its formidable economic and business power, it will be fair to say that in the years to come Japan will be able to catch up with the technological innovation of the USA, and if the Japanese are able to beat the Americans in the technological field, what will then be happening?

The above discussion will give a bird's-eye view of the asymmetric relationship between Japan as a super economic and business power and ASEAN. For ASEAN the challenges ahead are enormous. The above discussion has also enabled us to know what the ingredients and the elements are of developing such an integrated strength. It will be of no use to blame Japan or the other industrial nations for being the main actors of this asymmetric relationship and for an eventual development of a kind of trade war. ASEAN has to take to heart that the development in the world of international business will favour only those who are able to develop such an integrated strength.

As mentioned above, the challenges that the ASEAN business sector will have to face in the years to come will be enormous. Taking advantage of the increasingly excellent credit standing of the nation, the ASEAN private sector has surged ahead during the last 15 years and has developed a degree of business maturity. A number of groupings have managed to float needed capital on the international capital and money market in order to finance their projects or supplement their operating capital. Gradually, these groupings have become more independent of the so-called "package-deal" concept. At present, many of them in the private sector are able to generate their own capital needs and by doing so they will be in a better position to buy technology from a wider spectrum compared to the package-deal concept. This development of maturity, in a sense, might have been observed by the business community in Japan. As the ASEAN private sector develops in the years to come, it is hoped that the business and industrial communities will recognize and respect the strength developed in the last 15 years. The business community in Japan will also have to consider the growing effort and process in the ASEAN economies of deliberately going for a change in the trade and investment patterns. The changing patterns of trade and investment will also bring about institutional changes, particularly in the trade and services sectors (such as banking). These changes will hopefully strengthen the position of the industrial and business communities in ASEAN.

A more confident and strong business community will certainly emerge in the years to come, so it is important that the Japanese business community will be aware of this trend.

The ASEAN business, industrial and banking communities have watched very closely the inroads of the Sogo Shosha's to their respective economies. They have been the effective mechanism of the Japanese strategy in dominating the economies. As indicated earlier, the growing capability of the ASEAN business, industrial and banking sectors should take up the challenge of creating organizations which could implement the provision of an assortment of products and services. This provision of an assortment of products and services has been one of the enormous strength in implementing the Japanese growth strategy and in becoming an effective mechanism in acquiring a dominant position in the world market. The example and experience of the Sogo Shosha has to be taken as a kind of inspiration; an inspiration that may lead to the organization and management of the business, industrial and banking sectors in a more effective way in facing the formidable competitive economic and business power of the Sogo Shosha.

Appendix 1

JAPAN DIRECT FOREIGN INVESTMENT IN ASIAN COUNTRIES
(in US\$ million)

| Countries | Fiscal Year 1980-1981 | Fiscal Year |
|-------------|--------------------------|-----------------------------------|
| | | 1981-1982 (April 1 - March 31) |
| Indonesia | 529 | 2,434 |
| Hong Kong | 158 | 329 |
| Singapore | 140 | 266 |
| South Korea | 35 | 73 |
| Philippines | 78 | 72 |
| Taiwan | 47 | 54 |
| Thailand | 38 | 31 |
| Malaysia | 146 | 31 |
| Total | 1,186 | 3,338 |

Source: *The Straits Times*, 1st September, 1982.

Appendix 2

JAPAN'S TRADE WITH ASEAN COUNTRIES (1980)

(Units: \$ 1,000)

| Country and Region | Exports | | | Imports | | |
|--------------------------|-----------------|--|--------------|-----------------|--|--------------|
| | Export Value | Compared with Pre- vious Year (%) | Share (%) | Import Value | Compared with Pre- vious Year (%) | Share (%) |
| Total | 30,909,893 | 118.3 | 100.0 | 31,751,399 | 121.2 | 100.0 |
| ASEAN | 13,029,244 | 135.1 | 42.2 | 21,216,002 | 130.3 | 66.8 |
| Thailand | 1,916,549 | 111.8 | 6.2 | 1,119,485 | 95.7 | 3.5 |
| Singapore | 3,910,856 | 146.0 | 12.7 | 1,507,224 | 102.3 | 4.7 |
| Malaysia | 2,060,899 | 136.8 | 6.7 | 3,470,854 | 106.6 | 10.9 |
| Philippines | 1,683,337 | 103.8 | 5.4 | 1,951,426 | 123.3 | 6.1 |
| Indonesia | 3,457,603 | 162.8 | 11.2 | 13,167,013 | 147.9 | 41.5 |

Source: *White Paper on International Trade*, 1980.

Appendix 3

ENTERPRISE GROUPS

1. Mitsubishi Group¹*Banking and Insurance*

Mitsubishi Bank
 Mitsubishi Trust and Banking
 Tokio Marine and Fire Insurance
 Meiji Mutual Life Insurance

Trading

Mitsubishi Shoji

Mining and Manufacturing

Mitsubishi Mining and Cement
 Mitsubishi Oil
 Mitsubishi Metal
 Mitsubishi Steel Manufacturing
 Mitsubishi Heavy Industries
 Mitsubishi Kakoki
 Mitsubishi Gas-Chemical
 Mitsubishi Plastics Industries
 Mitsubishi Rayon
 Mitsubishi Petrochemical
 Asahi Glass
 Mitsubishi Paper Mills
 Kirin Brewery
 Mitsubishi Motor
 Nippon Kogaku
 Mitsubishi Electric
 Mitsubishi Chemical Industries
 Mitsubishi Aluminium
 Mitsubishi Monsanto Chemical

Others

Mitsubishi Warehouse and Transportation
 Nippon Yusen
 Mitsubishi Estate
 Mitsubishi Construction

2. Mitsui Group²*Banking and Insurance*

Mitsui Bank

Mitsui Trust and Banking
 Mitsui Mutual Life Insurance
 Taisho Marine and Fire Insurance

Trading

Mitsui Bussan

Mining and Manufacturing

Mitsui Mining
 Mitsui Mining and Smelting
 Mitsui Shipbuilding and Engineering
 Mitsui Toatsu Chemicals
 Mitsui Petrochemical Industries
 Toray Industries
 Japan Steel Works
 Sanki Engineering
 Nippon Flour Mills
 Tokyo Shibaura Electric
 Oji Paper
 Toyota Motor

Others

Mitsukoshi
 Mitsui Warehouse
 Mitsui Real Estate Development
 Mitsui OSK Lines
 Hokkaido Colliery and Steamship
 Mitsui Construction

3. Fuyo Group³*Banking and Insurance*

Fuji Bank
 Yasuda Trust and Banking
 Yasuda Fire and Marine Insurance
 Yasuda Mutual Life Insurance

Trading

Marubeni

Mining and Manufacturing

Yokogawa Electric Works

¹Members of the Kinyo-kai

²Members of the Nimoku-kai

³Members of the Fuyo-kai

Oki Electric Industry
 Canon
 Kureha Chemical Industry
 Kubota
 Sanyo-Kokusaku Pulp
 Sapporo Breweries
 Showa Denko
 Toa Nenryo Kogyo
 Toho Rayon
 Nippon Kokan
 Nissan Motor
 Nippon Seiko
 Nisshin Spinning
 Nisshin Flour Milling
 Nippon Reizo
 Nihon Cement
 Nippon Oils and Fats
 Hitachi

Others

Keihin Electric Express Railway
 Showa Line
 Taisei
 Tobu Railway
 Tokyo Tatemono

4. Sumitomo Group⁴

Banking and Insurance

Sumitomo Bank
 Sumitomo Trust and Banking
 Sumitomo Mutual Life Insurance
 Sumitomo Marine and Fire Insurance

Trading

Sumitomo Shoji

Mining and Manufacturing

Sumitomo Coal Mining
 Sumitomo Metal Industries
 Sumitomo Chemical
 Sumitomo Electric Industries
 Nippon Electric
 Sumitomo Shipbuilding and Machinery
 Nippon Sheet
 Sumitomo Cement

Sumitomo Aluminium Smelting
 Sumitomo Light Metal Industries
 Sumitomo Bakelite

Others

Sumitomo Warehouse
 Sumitomo Realty and Development
 Sumitomo Construction
 Sumitomo Forestry

Sanwa Group⁵

Banking and Insurance

Sanwa Bank
 Toyo Trust and Banking
 Nippon Life Insurance

Trading

Nissho-Iwai
 Nichimen
 Iwatani

Mining and Manufacturing

Osaka Cement
 Kansai Paint
 Kobe Steel
 Daihatsu Kogyo
 Teijin
 Tokuyama Soda
 Toyo Rubber Industry
 Nakayama Steel Works
 Hitachi
 Hitachi Shipbuilding and Engineering
 Maruzen Oil
 Unitika
 Iwatsu Electric
 Shin Meiwa Industry
 Sekisui Chemical
 NTN Toyo Bearing
 Hitachi Chemical
 Hitachi Metals
 Hitachi Cable
 Fujisawa Pharmaceutical
 Sharp
 Tanabe Seiyaku
 Ube Industries

⁴Members of the Hokusui-kai.

⁵Members of the Sansui-kai.

Others

- Ohbayashi-gumi
- Hankyu
- Takashimaya
- Nippon Express
- Yamashita-Shinnihon Steamship
- Toyo Construction
- Orient Leasing

6. Dai-Ichi Kangin Group⁶

Banking and Insurance

- Dai-Ichi Kangyo Bank
- Asahi Mutual Life Insurance
- Taisei Fire and Marine Insurance
- Nissan Fire and Marine Insurance
- Fukoku Mutual Life Insurance

Trading

- C. Itoh
- Nissho-Iwai
- Kanematsu-Gosho
- Kawasho

Mining and Manufacturing

- Furukawa
- Furukawa Electric
- Asahi Denka Kogyo
- Yokohama Rubber
- Fujitsu
- Fuji Electric
- Nippon Light Metal
- Nippon Zeon
- Kawasaki Steel
- Kawasaki Heavy Industries
- Sankyo
- Shiseido
- Electro-Chemical Industrial
- Niigata Engineering
- Nippon Columbia
- Honshu Paper
- Yasukawa Electric Manufacturing
- Ishikawajima-Harima Heavy Industries
- Kobe Steel

- Showa Oil
- Asahi Optical
- Hitachi
- Asahi Chemical Industry
- Isuzu Motors
- Iseki Agricultural Machinery
- Ebara Manufacturing
- Chichibu Cement
- Lion Dentifrice
- Japan Metals and Chemicals

Others

- Kawasaki Kisen Kaisha
- Korakuen Stadium
- Seibu Department Store
- Nippon Kangyo Kakumaru Securities
- Nippon Express
- Shimizu Construction
- Shibusawa Warehouse

Tokai Group⁷

Banking and Insurance

- Tokai Bank
- Chuo Trust and Banking
- Chiyoda Mutual Life Insurance
- Chiyoda Fire and Marine Insurance

Trading

- Toyo Menka
- Okaya

Mining and Manufacturing

- Toyota Motor
- Fujikoshi
- Japan Rolling Stock Manufacturing
- Idemitsu Kosan

Others

- Toyota Motor Sales
- Fujita
- Matsuzakaya
- Japan Development and Construction
- Nippon Shinpan

Source: Yoshihara Kunio, *Sogo Shosha: The Vanguard of the Japanese Economy*, Oxford University Press, 1982.

⁶Members of the Sankin-kai.
⁷Members of the Wakaba-kai.

Appendix 4

1. Purchase, sales, export, and import of the following:
 - a. coal, petroleum, gas, other fuels and manufactured products of above;
 - b. iron, nonferrous metals, manufactured products of above, ores and minerals;
 - c. machinery, equipment (including gauge and medical equipment), locomotives, ships, airplanes, and parts of above;
 - d. food, liquor and other beverages, fat, resin, tobacco, salt, and other agricultural, marine, forestry, livestock and natural products and finished products of above;
 - e. fertilizer, feed, and raw materials of above;
 - f. textile products and raw materials;
 - g. lumber, wood products, cement, glass and other kiln products;
 - h. chemical products, cosmetics and pharmaceuticals (drugs, poison and explosives, etc.); and
 - i. rubber, leather, pulp, paper, manufactured products of above, and sundry goods;
2. The development, prospecting, production, manufacturing, processing, growing, and sub-contracting of each of the items above;
3. Repair and installation, sub-contracting, leasing and management of machinery, equipment, locomotives, ships, airplanes, and parts;
4. Construction business;
5. Purchase, sales, leasing, and management of real estate;
6. Purchase and sales of antiques;
7. Warehousing;
8. Land transportation, maritime transportation, and air transportation;
9. Agency, brokerage, and wholesale of each of the items above;
10. Agency for liability insurance and for automobile insurance based on the automobile liability insurance law;
11. All and every business related to each of the items above.

Source: Alexander K. Young, *The Sogo Shosha: Japan's Multinational Trading Companies*, Westview Press, 1979.

Appendix 5

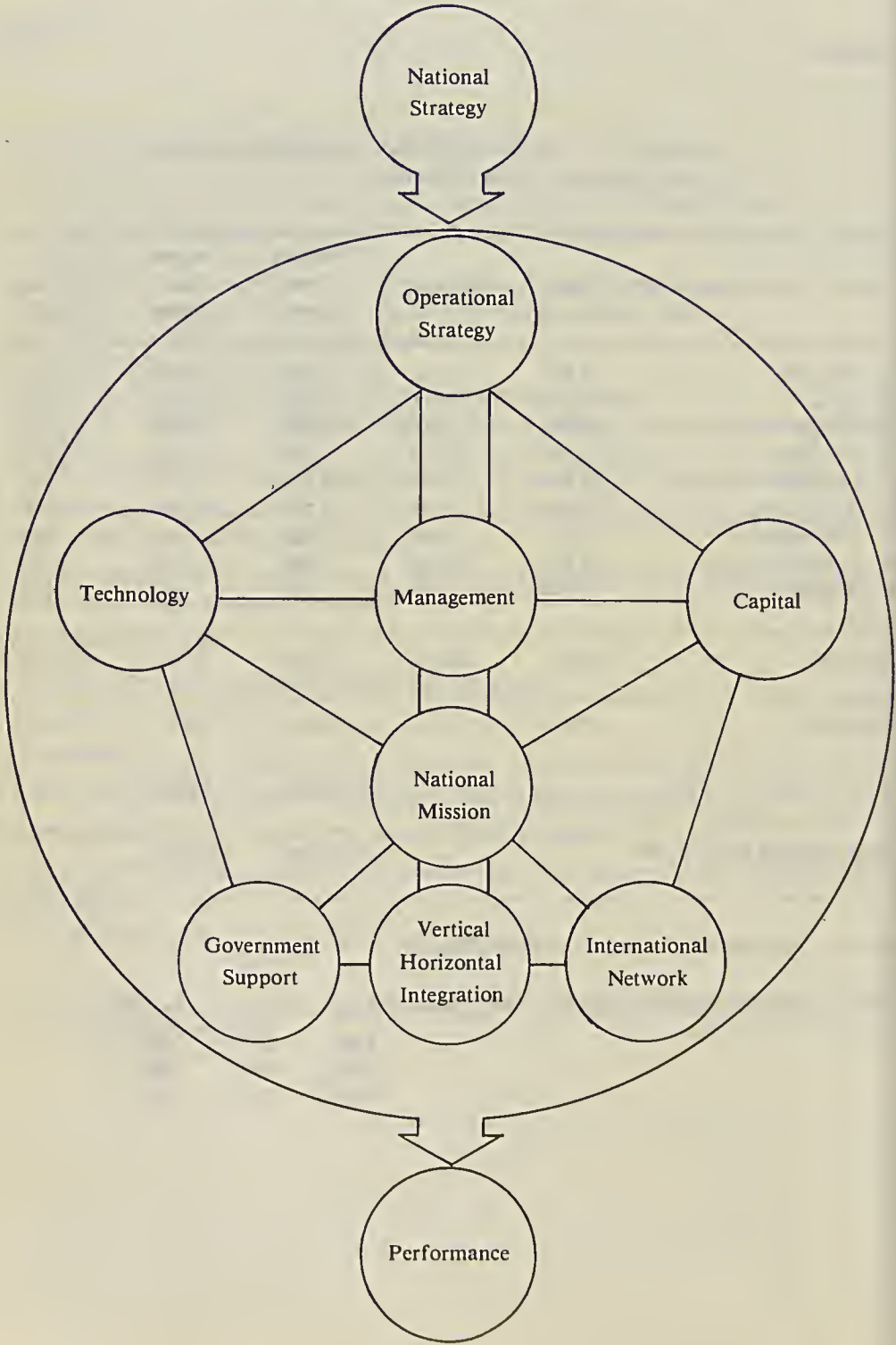
5-16 SALES OF JAPAN'S NINE SOGO SHOSHA (FY 1981)
(¥ billion)

| | Total | In Japan | Exports from Japan | Imports into Japan | Offshore Trade |
|---------------------------|--------|----------|--------------------------|--------------------------|-------------------|
| 1. Mitsubishi | 14,687 | 5,711 | 2,762 | 4,887 | 1,326 |
| 2. Mitsui | 13,225 | 5,623 | 2,569 | 3,188 | 1,845 |
| 3. C. Itoh | 12,336 | 5,362 | 2,307 | 2,859 | 1,808 |
| 4. Marubeni | 11,547 | 4,160 | 3,131 | 2,183 | 2,074 |
| 5. Sumitomo | 10,964 | 5,573 | 2,837 | 1,677 | 878 |
| 6. Nissho-Iwai | 7,431 | 2,782 | 1,345 | 2,037 | 1,268 |
| 7. Toyo Menka | 3,715 | 1,407 | 902 | 940 | 466 |
| 8. Kanematsu Gosho | 3,268 | 1,639 | 450 | 772 | 408 |
| 9. Nichimen | 2,938 | 878 | 722 | 669 | 669 |
| Total (A) | 80,111 | 33,135 | 17,025 | 19,212 | 10,742 |
| Share (%) | 100.0 | 41.4 | 21.2 | 24.0 | 13.4 |
| Japan's Trade Total (B) | — | — | 34,365 | 32,245 | — |
| Sogo Shosha's Share (A/B) | | — | 49.5% | 59.6% | |

Source: Yukashoken-Hokokusho of each company.

| | | | |
|---|------|--------|--------|
| Notes: Sogo Shosha's Share in 1968, 1972, 1976: | Year | Export | Import |
| | 1968 | 48% | 62% |
| | 1972 | 50% | 63% |
| | 1976 | 52% | 53% |

JAPANESE INTEGRATED BUSINESS SYSTEM



Australian-Indonesian Relations in the Context of Development in Asia-Pacific

Jusuf WANANDI

This essay attempts to discuss Australian-Indonesian relations in the broader context of developments in the Asia-Pacific region, namely, how regional developments affect that bilateral relationship. At the same time, it will examine the role of that relationship in the maintenance of regional peace and stability. In doing so, it will also assess problems in the relations between Australia and Indonesia and efforts necessary to overcome difficulties and obstacles as well as factors which could strengthen the relationship.

DEVELOPMENTS IN THE ASIA-PACIFIC REGION AND THE IMPORTANCE OF AUSTRALIAN-INDONESIAN RELATIONS

A number of problems affecting the developments in Asia-Pacific in this decade deserve our serious attention. They are:

1. Tendencies in the United States policies towards the Asia-Pacific region which tend to focus on the global aspects rather than on regional realities. The question, therefore, boils down to one on the ability of the United States to harmonize its global policies with the interests, complexities, and the nuances of the region;
2. The Soviet military build-up in the region, especially its naval and air capabilities, and the use of overseas military facilities in Da Nang and Cam Ranh;
3. New tensions between the United States and the USSR in the Asia-Pacific region resulting from the global policies of both sides;

Paper presented at the Australia-Indonesia Conference, Sanur, Bali, December 6-8, 1982, sponsored by CSIS (Jakarta) and Department of Foreign Affairs (Canberra). Jusuf Wanandi is currently Executive Director, CSIS.

4. The recent rapprochement between the USSR and China and its effects upon the triangular relationship, United States-USSR-China, globally and for the stability in the Asia-Pacific region;
5. The greater political and defense roles of Japan commensurate with its economic capabilities and in the light of greater burden-sharing with the United States, and the implications for the Asia-Pacific region;
6. Developments in the individual ASEAN countries and increased regional cooperation amongst them that have important implications for the stability of Southeast Asia;
7. Relations between the ASEAN countries and the Indochinese nations in the future, especially in resolving the Kampuchean conflict, so as to bring about the creation of a regional order for Southeast Asia which will also determine the stability of Southeast Asia;
8. Economic development and progress in the Asia-Pacific region, albeit inseparable from the global economy which at present is undergoing serious difficulties, could still maintain their dynamism in the years to come;
9. Developments in the South Pacific, in which a large number of "mini" states have gained independence, have strategic significance for the Asia-Pacific region. If these countries remain backward economically, the USSR and perhaps China could have the opportunity to expand their influence in this region;
10. The stability of the Korean Peninsula, which has greatly improved will continue to be enhanced in the future, if South Korea could maintain its economic and socio-political development in addition to the strengthening of its military capabilities. The United States military umbrella is still necessary to maintain the stability of the Korean Peninsula in this decade.
11. Conflicts on territorial borders in the oceans and on ocean resources remain a source of grave instabilities in the Asia-Pacific region.

The problems have been listed above to show the importance of the following three points:

First, "bi-polar" approaches no longer suffice to solve the major problems of the Asia-Pacific region, especially if security issues are viewed only from their military angle. Actors have multiplied, to include new political powers such as China, economic powers such as Japan, and regional or medium powers such as Australia and Indonesia. "Multi-polar" approaches, therefore, will have to become more pronounced in the future.

Second, military approaches alone cannot guarantee the security and stability of the region. Sources of conflicts in the Asia-Pacific region are more diffused than those in Europe. Except for the Korean Peninsula, there is no

clear demarcation lines of military confrontations. In addition, the complexity of regional affairs is also due to the multiplicity of actors involved, industrialized and developing countries, superpowers and mini states, countries within the Western alliance, communist states, and non-aligned countries. Thus, regional issues will have to be dealt with within a more comprehensive framework involving their economic, political, and socio-cultural aspects in addition to their military aspect.

Third, instabilities in the region will not result solely from superpowers' conflicts or frictions amongst the great powers, but are more likely to come from instabilities in the developing world, which in turn would invite the involvement or interventions from the Soviet Union or China with the aim of establishing a more favourable correlation of pro-socialist forces. Local conflicts, such as in Indochina or in the Korean Peninsula, equally constitute a dangerous source of instability for the Asia-Pacific region.

In view of the above, there is no doubt that the medium powers, such as Australia and Indonesia, have a greater role to play in maintaining security and stability in the Asia-Pacific region. We need to examine how relations and cooperation between Australia and Indonesia could contribute to the maintenance of regional stability. The other side of the same problem is to ask the question of how a worsening of relationship between the two countries could cause regional instabilities to develop.

Australia's and Indonesia's foreign policy orientations do differ due to their different outlook and philosophies. Australia is an advanced industrial country and is an important ally of the United States. Indonesia is a developing country and adopts an independent and non-aligned posture. Despite those differences they have exhibited common objectives such as in the search for a new international order based on peace, humanity, and social justice. Thus, both countries have parallel views in the North-South dialogue. Both countries perceive the threat from communist countries and, therefore, see the necessity to maintain a balance of power in maintaining regional stability, although differences in nuance exist.

These parallel views provide a basis for closer cooperation between Indonesia and Australia to contribute to the maintenance of regional stability. Indonesia's contribution to regional stability primarily lies in its success in enhancing national stability and national resilience. Together with the efforts of other ASEAN countries to promote regional resilience, the Southeast Asian region could maintain a high degree of stability. Efforts to improve relations among the ASEAN countries and the Indochinese nations would further stabilize the region through the creation of a regional order for South-

east Asia, which at the same time removes any incentives on the part of the big powers to interfere in Southeast Asian affairs. A stable and prosperous Southeast Asia is of the utmost importance to Australia's security.

Australia could also play an important role in its immediate regional environment, in the Indian Ocean and the South Pacific, which contributes to the security of Indonesia and Southeast Asia. Australia's special relationship with Papua New Guinea is another important aspect of Australia's contribution to the security of Indonesia's immediate regional environment.

FUTURE AUSTRALIAN-INDONESIAN RELATIONS

In view of the strategic importance of Australian-Indonesian relations, as discussed above, one needs to assess the present state of the relationship and the efforts which are necessary to strengthen that relationship.

Relations between Indonesia and Australia are in general not very friendly, and have been disturbed by the East Timor issue, due to misunderstanding and misperceptions that have developed between the two nations which are different in so many respects.

The increase in the number of Australian tourists coming to Indonesia has hardly improved the understanding between the two nations. Economic relations are relatively minimal. Government-to-government relations are quite good, although some elements in the Australian government remain suspicious of Indonesia and some elements in the Indonesian government do not see Australia's importance whatsoever as a close neighbour. Relations among politicians are equally minimal. What seems to be annoying, is the fact that issues on Indonesia and relations between Indonesia and Australia oftentimes have been used by Australia politicians for their domestic consumption.

Among academics of both sides there still exist prejudices, such as on Australia's white-policy of the past or on the romantics of the old-order in Indonesia. Prejudices on the part of the mass media are most damaging. It is often felt, that the "self-righteousness" attitude of the Australian press in analyzing Indonesian affairs and the ignorance of the Indonesia press on Australian affairs, have made it all the more difficult to eliminate those mutual prejudices.

The above brief examination on the state of relations between the two countries suggests that something needs to be done to minimize misunder-

standing on both sides. There must, first of all, be recognition and appreciation of the differences in societal values and customs, political systems as well as levels of economic development. Moralistic and superior attitudes on the part of Australians, being an economically more advanced nation, would not serve to promote greater understanding and cooperation. Perceptions of an expansionistic Indonesia, which are still widespread in Australia, equally are not helpful.

Similarly, on the part of Indonesians, especially the leaders, there is a need to overcome gradually any ill feeling towards Australia. Greater recognition should be developed of the need to coexist and cooperate with Australia, which is an important neighbour for Indonesia, especially since a greater role of the medium powers such as Australia and Indonesia would in the future be necessary for the maintenance of regional peace and stability.

In addition, steps must be taken to increase relations in the economic field and in trade, including that in natural resources such as coal and iron ore, as well as cooperation in industries and advanced technologies, including those for defence. Cooperation and exchanges in the field of education and science, which have already been promoted for some time, should be further encouraged in a systematic fashion.

More extensive relations among mass media people are most important at this stage. One should admit that the Australian press is largely responsible for the deterioration in bilateral relations. Overreactions on the part of Indonesian towards criticism aired by the Australian mass media have caused further deterioration in our relations. In order to improve our relations, it would be beneficial for both sides if the Australian press could be more sensitive to and learn to appreciate the role of the mass media in developing Indonesian society.

The Indonesian mass media have been quite ignorant of Australian affairs, and should start to consider to open up offices in Australia to improve their press coverage. This applies also to the Australian mass media.

CONCLUDING NOTES

The main problem in the relations between Australia and Indonesia as it stands today is how to place this relationship in a more "normal" proportion in view of the great differences between the two nations, which, however, are linked by geographical factors as neighbours. Both are medium powers in the region and are bound to cooperate in the maintenance of regional peace and stability.

Despite differences in the general outlook, both countries share parallel views in a number of areas, which are strong enough to bring the two countries closer together. In order to make this happen, a number of bridges will have to be built to promote greater mutual understanding. Problems between the two countries, however painfully they are to be expressed, should be discussed openly and in a frank and constructive manner at the various levels of relations, government-to-government and the many private channels which are basically already in existence.

Book Reviews

Traditional Authority is the Problem

Traditional Authority, Islam, and Rebellion: A Study of Indonesian Political Behaviour, by Karl D. Jackson, Berkeley, University of California Press, 1980, xxiv + 375 pp. This review article by Dwight Y. King is translated from *Tempo*, 12 September 1981.

This book is an improved version of Jackson's 1971 dissertation at MIT in 1971, the analysis of data from a survey he carried out in West Java in 1969. Several universities in Bandung, the Siliwangi Division of the Armed Forces and Dr. Johannes Moeliono also helped in the survey.

The book should become a provocative reference, as well as provide many new ideas for sociologists. It questions previous analyses of political behaviour in village society and discusses it from various aspects using a quantitative method.

Unfortunately, because of weak evidence and low reliability the conclusions of the work are still speculative in nature. Nevertheless the possible applications of such quantitative method in social research have thus been opened.

In 1969 Dr. Jackson carried out an historical study of village society's involvement in the Darul Islam rebellion in West Java. He also

surveyed village society in Sunda. He wanted to prove that it is the relations of traditional authority that constitute the key to understanding political behaviour of Indonesian villagers and not ideology, streams of thought (*aliran*), information provided by the media, socialization according to national symbols, economic shortages or the physical isolation of such a village society.

In the introductory chapter, Dr. Jackson confidently synthesizes his chief historical sources. This chapter is accompanied by an appendix of translated documents -- including the blueprint for the constitution of the Islamic State of Indonesia. The final chapters discuss the theoretical implications.

The principal concept of traditional authority is reduced to distinguishing patron-client relations of a purely material, opportunistic or temporary nature. Jackson concludes that relations of traditional authority and physical force are the most effective ways of achieving political integration in Sundanese society. This conclusion becomes the basis for a dual typology of political integration (traditional and modern).

According to Jackson, political integrative mechanisms of every society will differ according to the context created by (1) the process of modernization; and (2) the organizational structure chosen by the elite and counter-elite of that society.

This political science lecturer at the Berkeley California University draws his conclusion on the general characteristics of relationships of traditional authority based on the

replies of some of the respondents who divided themselves into two groups: protective leaders and their followers. The respondents recognized that there was weekly consultation. And it is clear that of these relationships of traditional authority there are some that have continued for over 25 years.

When the total number of "followers" is related to the social status of respondents in village activities it can be seen how critical is the leadership pyramid in the villages he mentions. But the conclusion could be regarded as dubious. It is evident that 84 percent of the respondents are members of the village elite. Most of the respondents also recognize that there are several leaders -- not just one figure possessing full authority.

Nevertheless, Dr. Jackson rejects this as indicating a source of pluralism. For if he admitted this it would mean that he would have to admit that the implications of a choice for the follower is problematical in nature.

Ties of traditional authority he regards as developing from the relationship between elders and their younger followers due to a feeling of gratitude and respect. He concludes that there is the potential for para-military mobilization here. He holds such an opinion because the respondents were confident that they could ask for the help of their followers at critical moments.

The connection between rebellion and traditional authority is "very clearly reflected" in the reaction of the respondents to a fictional problem that he presented. This problem concerned "social disturbances." As many as 42 percent of the respondents felt immediately responsible to assist their former commanders. They were also prepared to assist their commanders financially.

Even though there were structural similarities between the three villages, Dr. Jackson found that in former Darul Islam villages there was a greater focus in respondents' suggestions upon questions beyond the village. Amongst the higher village leadership he also found a greater willingness to kill for religion.

In fact, senior village leaders from pro-government and Darul Islam villages have similar social backgrounds, political knowledge and religious faith. The difference between these two types of villages, says Jackson, is caused by the fact that the structure of traditional authority ties the leadership to political movements outside the village (rather than between villages).

But the argument is weakened by Jackson's discovery of differing attitudes to an Islamic state, the willingness to kill for religion, age and office. At the end of the book Jackson draws an historical sketch of each village. In 12 pages in all, he points to traditional authority seriously forming "the character and substance of national integration, as well as of political participation."

The reliability of Dr. Jackson's findings I consider dubious. Firstly, the evidence is weak, indirect and often contradictory.

In addition, there are fundamental questions about his method and research format. The general difficulty of research is further complicated by the respondents' sensitivity to ideas of rebellion and religious fanaticism when interviewed. Moreover, the field research was carried out seven years after the Darul Islam rebellion ended and there can be said to be a shortage of research material.

The procedure used to select the three villages where he took his principal samples causes a great reduction in statistical variations. Thus Jackson's hypothesis is heavily one-sided. In addition, only 8 percent (200 residents) from the total population were included in his sample. That the larger part of the sample were made up of members of the elite (70 to 84 percent) indicates his carelessness in stratifying a small sample.

However this may be, this book does reveal Dr. Jackson's considerable ability to present a relevant issue theoretically. Only then does he systematize his empirical data to answer this issue. He begins with a theory of political behaviour. And then he uses an historical

event, in this case the Darul Islam rebellion, as a social laboratory to test the theory.

Social scientists usually set out using opposing methods. They use up their time collecting and manipulating data statistically. From this they hope that the theoretical issues will slowly, or even automatically, emerge.

Dr. Jackson, on the other hand, had his comparative theories prepared. He then, albeit not so convincingly, selected the theory which was most able to explain accurately the greatest number of variations in the data. One of this better ideas is the belief that a respondent is not the single unit to be relied upon for analysis. In most rural societies the individual is not the central consideration for decision-making.

The book also makes us realize how a social environment or community can -- in various ways -- influence individual behaviour. It is unfortunate that the application of the theory is not precise because the analysis of each village and its inhabitants has been carried out separately. The distinctive characteristics of the village of each respondent should have also been mentioned and then an analysis of all respondents carried out all at once.

Reconstruction of the Past

Understanding Indonesian History (In Indonesian: *Pemahaman Sejarah Indonesia*), edited by W.H. Frederick and Soeri Soeroto, Jakarta, LP3ES, 1982, 486 pp. This review article by M. Rusli Karim is translated from *Suara Karya*, 7 January 1983.

The book seeks to describe history as a thought and as a reconstruction of the nation's past by Indonesian historians.

Chapter I attempts to give an explanation on the concept of history. It examines the way in which the Indonesian people have appre-

ciated history since the early days (page 2). It is said that compared to some other parts of the world, not many historical remains are to be found either in the form of written documents or inscriptions. However, in comparison with certain regions, Indonesian history is full of riches. And it should be noted that the scarcity of written materials is only a consequence of climate and culture, not of a lack of knowledge of, or interest in, the past on the part of Indonesians (page 2). The historical awareness of the Indonesian people is also discussed in this chapter, by comparing their past and present tendencies.

There are 4 historical elements of historical thought as a process of understanding the unavoidable past. The first element is the notion of time as something eternal and in succession. A modern historian should know as accurately as possible when a certain event occurred and how it was related to another occurring at the same time or in succession.

The second element is the awareness of the basic nature of those facts, i.e. their complexity. An historical fact should be viewed from various angles to the fullest extent and treated very cautiously (p. 7). The third element is an emphasis on causal relationship. Modern history tries to reveal as many causal aspects as possible in order to give its view on their relationship.

The fourth element is the idea that present history no longer limit its area of investigation.

The problem of history concerns the objectivity and truthfulness of history. Being true is not the same as being objective. History cannot be absolutely true, for it cannot recreate the past. But historical objectivity is ensured by existing rules and methods. Another problem which may be called a difficulty concerns the status of historical science itself, i.e. whether it is a science or an art. In interpreting the past, history is both an art and a science. The third problem is related to the philosophy and theories of history (pp. 10-12).

It is also said that history has no methodology, but it has a method. The principal element of the method of history is how to treat

historical proofs and to relate them with one another.

The most important technique of writing history in today's world is the use of written language. Historians should know how to write accurately and effectively to arouse the reader's interest (pp. 17-18).

On thoughts on modern Indonesian history, it is said that very little has been written. This is partly due to the fact that most Indonesian scholars are more interested in Western thinking and few of them are really interested in the Islamic view of the Middle East; others simply do not know where to start. It is only since the 1970s that the scope of Indonesian history has widened. It was marked by the publication of the book *National History* and the biographies of prominent figures and the like (pp. 22-24).

The second chapter discusses the theory and philosophy of history. Here the writings of Soekarno, Tan Malaka, Mohammad Yamin, Soedjatmoko, Sartono Kartodirdjo and T.B. Simatupang are mentioned. Their works represent a comparable number of views or philosophies of history (pp. 25-85).

Chapter 3 and 4 discuss historical works before and after the revolution. Chapter 3 only includes writings of 3 historians. It is said that writings sufficiently representative of this era were difficult to get (pp. 86-173). Unlike Chapter 3, Chapter 4 consists of 15 major topics.

In the introduction to Chapter 4 it is said that the end of the revolution in 1949 opened the way for a comprehensive review of Indonesian history. It is stressed, however, that the economic and political situations in the 1950s and 1960s were not conducive to historical research. It was not until the 1970's that the atmosphere was favourable for such an undertaking. Accordingly, the chapter covers mostly historical works published since 1974. Prominent writers such as Muhammad Yamin, Onghokham, Saifuddin Zuhri, Ahmad Subardjo, A.H. Nasution, Alfian, Nugroho Notosusanto, and Taufik Abdullah came to the fore

with their respective topics of interest (pp. 174-458).

The last chapter describes the investigation of Indonesian history through the use of historical tools and general sources. The most useful and valuable tool is bibliography, of comprehensive as well as more specialised nature. It provides bibliographical samples that may serve as inspirational sources of history (pp. 458-464). They are followed by national archives and general historical works.

In the conclusion of the book the editors refer to one of the greatest ironies in the world of Indonesian historians today that while public interest in history is great and their desire to buy and read books is greater than before, there is very little opportunity for professional historians to meet the public needs by their best research and writings. Furthermore, education for a new generation of historians proceeds at a slow pace, because few students are interested in history and there are even far fewer specialists with higher degrees. In consequence most people have only limited knowledge of important historical figures, events and interpretation. They have an inaccurate perception of the objectives of history and of historical thought (p. 484).

It is regrettable that this book does not include an expert like Slamet Mulyana. Nonetheless, both editors have ventured to make a start and have shown their serious work. They should be followed by others.

Indonesia Today and Tomorrow

Dialogue: Indonesia Today and Tomorrow (In Indonesian: *Dialog -- Indonesia Kini dan Esok*), by Imam Walujo and Kons Kleden, Jakarta, Leppenas, 1980, 224 pp. This review article by Th. Sumartana is translated from *Tempo*, 24 January 1981.

Discussions on Indonesia and its future are all too rarely frank. Also, many ideas appear in a disconnected fashion. Twelve Indonesian intellectuals talk frankly in this book which sets out to conceive of Indonesia as one, undivided totality.

In the past it was therefore felt that there was very little indeed which could be read that presented a complete perspective of Indonesia as written by its historical actors themselves. A need was felt for some writing of this sort to complete what was offered on our history: that is, to express a greater number of perspectives and points of reference. Existing books on our national history were considered to be exceedingly formal.

On the other hand we also needed a way to conceive of Indonesia as a unified whole. The loss of this "holistic" dimension is one of the reasons why the younger generation has no conceptual bridge to comprehend the history of their nation. Their idealism is muffled because they no longer see Indonesia as one total reality.

This publication by the Institute for the Support of National Development (Leppenas) can be seen as meeting this need. On the one hand, it relates closely to problems of the past and on the other it discusses Indonesia in an overall way. Yet the emphasis in the book is not on the past but on the present and future, and it stresses the real problems Indonesia is facing today, especially those of the New Order and those that are anticipated.

Twelve discussants are presented: In order of age starting from the youngest they are: Dr. Ridwan Saidi, Dr. Yuwono Sudarsono, Dr. D. Kuntjoro-Jakti, Bur Rasuanto, Sabam Sirait, Dr. F.M. Suseno (not included in the list on the back cover), Dr. T. Abdullah, Dr. Emil Salim, S. Sastrosatomo, H. Adam Malik and Prof. St. Takdir Alisjahbana.

The age difference between the youngest and the oldest is 34 years -- a timespan which well represents the "continuity" of problems for Indonesia. The discussants can all be said to be Jakartanese, people from the centre.

They represent a section of Indonesia's intellectuals, and not one of them is from the corps of the Armed Forces -- which is not traditional, nor customary under the New Order.

In the foreword it is clearly stated that the selection of these 12 people was not based on any one particular criterion. Yet they are obviously in positions such that we can expect them to be able to talk about Indonesia's problem today and tomorrow. They come from different regional, historical, expert and professional backgrounds. It is thus proper to expect a conversation which is truly a dialogue.

From the start we all know that talking about today's and tomorrow's problems for Indonesia is basically to talk about the fate and the future of about 150 million people. And as Dorojatun says, of the world's 600 million poor, 10 percent are the contribution of Indonesia. This book reflects the commitment and seriousness of the discussants, their mastery of their subject matters and their responsibility. But what seems to be needed is a plurality of opinions. It is useful whenever different points of view can be confronted with each other and their individual weaknesses pointed out. Clarity of thought, as far as it involves clarity of problems, is of secondary importance because the space is too limited extensive explanation. What is important is that the nuances of the principal problems and the mood of the dialogue itself be grasped.

In the discussions, there is no single person who "wants to see Indonesia destroyed." It is important to mention this "criticism" is often taken to be the same as an anti-government, anti-development or even anti-people attitude! With great frankness the discussants say many things that we don't often have the opportunity to hear or think about. Yet, even though they are protected by the Gods of "Freedom of Opinion" and "Democracy", the discussants quickly see that there are certain social sensitivities that may not be ignored. So there are matters which they cannot touch on freely, let alone thoroughly.

In facing the tough and steep mountain of problems for Indonesia, there is not one of the

discussants who proposes the use of force for their solution. They all believe in the path of reformism, gradual change, stage by stage development -- in essence, a peaceful route. In particular, of the development carried out under the New Order, they do not doubt that success has been achieved in various sectors. But the problems surrounding almost 150 million people, especially the large number living in rural villages, remain complex.

And it is here, certainly, that the field is open to criticism. This criticism revolves around problems of concept, strategy, priority, implementation, direction, standpoint and criteria of development. There are criticisms aimed at the wide gap between the "talk" of development and the reality of development. "Indonesian culture is now a culture which plays with words" says Sutan Takdir Alisjahbana. Others talk about various forms of consciousness of what is called Basic Needs; of the weakness of domestic institutions the absence of the spirit of self-sacrifice, the almost total government monopoly; the non-functioning philosophy, and so on.

To talk of the future is to talk of conditions which must be met and the available alternatives. This is possibly the most difficult section of the book. It may not be difficult to say these things, but it is especially hard to realize and to implement them. It is almost as if the discussants become stumped at this point and find something that creates panic, confusion, worry, horror and doubt.

But optimism remains. To talk only of the life and death of, the rise and fall, the destruction or the preservations of a republic that concerns the future of 150 million people is to make the atmosphere tremble and heavy. To quote Yuwono Sudarsono: "How search for a peaceful solution -- to create opportunities for corrections -- before the situation has developed in such a way that the only possible way of changing society is through revolution. That is what we must now answer: to prove that there is a non-communist alternative capable of thoroughly changing society while still maintaining our humanity. This is what, up to now, we have not discovered." It is as if

we were faced with an ultimate question. And such words are expressed devotedly like a long series of prayers.

We can feel the seriousness with which the contributors offer ideas to answer the questions presented -- a seriousness which asks for frankness. And the frankness in this book is unique. It can become a standard by which society can evaluate the extent to which we are guaranteed to be able to "participate in thinking and holding opinions." Is it really in as bad a state as many people think? In addition, we can feel the difficulty the interviewers (Imam Walujo and Kons Kleden) had in reconstructing the result of the interviews in an orderly and readable form.

But the dialog has taken place and has at least created a certain mood in the book. And thank God, because in some places people have often equated intellectual stagnation with the absence of dialogues.

A Study in Economic Thoughts

In Search for Indonesian Economic Form: Development of Thought 1965-1981 (In Indonesian: *Mencari Bentuk Ekonomi Indonesia, Perkembangan Pemikiran 1965-1981*), edited by Editorial Staff (Economic), of the *Kompas*, Jakarta, Gramedia, 1982, xx+616 pp. This review article by Priyono Tjiptoherijanto is translated from *Fokus*, 17 September 1982.

The joy evident in President Soeharto's Address of State to Parliament on August 16th, 1982 is definitely not without foundation. In the midst of the world's confused economic situation now in the throes of a recession, Indonesia has successfully promoted itself from a low income nation status to that of a middle income state. It is not only an increased income that is desired, but also a more equitable distri-

bution. From the historical perspective it is easy to understand the desire to pursue a fair income (pp. 36-37). With the understanding that economic growth based on "free fight liberalism" has not proved to be a proper basis for the pursuit of a fair and equal distribution of wealth, this book, which is a compilation of economic articles published in the *Kompas* daily presents us with various other systems.

It is a point of further debate whether or not it is really the system that is at fault. Is it not perhaps the implementation that often deviates from the desired goal? *In Search for Indonesian Economic Form* does not seek to answer this question, but it only suggests ideas on why the difference occurs. With boldness, this book suggests that we are like people in the midst of a mishap who suddenly see a bright light. It is clear that they suddenly want to be happy (pp. 118-120).

We therefore forget that a deviation occurs because of certain gaps in our economic system. The gap between the "indigenous and non-indigenous" entrepreneurial groups and between the big and the small entrepreneurs represents a characteristic feature of the process of Indonesia's economic development that has been felt since the mid 1970s between the expectations on the intellectuals, on whom apparently many who want to get rich quickly have sponged, and the reality that must be swallowed by their brothers and sisters who comprise 40 percent of the population and who fall under the absolute poverty line.

This kind of gap frequently makes the plans launched by the government incomprehensible to the people at large. Perhaps there is also a gap of communication that is responsible for the lack of participation by the people (pp. 165-168). It may also be that the "upper class" serves as a poor example for the people.

What then is the problem if things are like this? It is good to look back and trace the history of thoughts that have in the past been put forward for managing the Indonesian economy. In 1974 Bung Hatta drafted a plan that accurately described the division of labour between the government, private and coopera-

tive sectors. This division of labour was in fact logical enough, for it still was directed toward the original and essential goal, that is the achievement of social justice. Unfortunately it has been recorded that in the annals of our national history there have frequently been deviations from the original plan. The division of labour referred to above became blurred because one group grew to be more dominant while others became weaker. Finally the dominant group grew out of control and took for themselves things that were not rightly theirs (pp. 234-242).

Perhaps there is one thing that is often forgotten, namely, that whether a plan is well of badly implemented depends largely on the social and cultural values and on the mentality or ethos found in society. Japan, which is often seen as an example of economic progress, has become a great nation because of the accumulation of capital in the hands of entrepreneurs that are not inclined to demonstrate their wealth. Western Europe became great because its citizens are imbued with the Protestant precept of "work ethics."

Therefore there ought to be some form of commitment to activities in the direction of progress. This is what seems to be missing or often seemingly separated from our economic system. At any rate, that is what is seen by the authors of this thick book with an introduction by Prof. Mohammad Sadli.

From the various issues discussed throughout the book, it seems that for the past sixteen years, the problem we face has remained the same. The desire to become rich quickly continues to be a chronic disease, so that the advice for a simple pattern of life style frequently only rebounds on those who conceived of the idea. The increasing role of a group goes hand in hand with economic growth, which according to the President's State Address, already reached 7.6 percent last year. It often creates an economic gap that can sum into a political explosion. The attitude of the authorities that is not a good example to be emulated by the general public constitutes an important topic of discussion in this book.

It seemed that the three groups who are expected to be more sensitive -- the military, the technocrats and the entrepreneurs -- need once again to examine the notes compiled in this book, so that they may not merely become leading characters in this expensive show (pp. 345-347).

Therefore, it is necessary also to ponder over the concluding notes in this book, i.e. that great strength can be exhibited by those who feel threatened, especially if it affects their survival. Because of this, *In Search for Indonesian Economic Form* is interesting to read and reflect upon.

Looking into the development of experts, especially economists, before and after they have become established, does stimulate special interest let alone looking into the views of those who were previously in power but who have now lost their seats.

In spite of all that, this thick book is valuable as a mirror of history.

Livestock in Indonesia

Livestock in Asia: Issues and Policies edited by Jeffrey C. Fine and Ralph G. Lattimore, Ottawa, International Development Research Centre, 1982, 192 pp. This review article is written by Rochim Wiryomijoyo.

From 2 to 4 March 1982 a conference on Livestock in Asia was held in Singapore, sponsored by the International Development Research Centre (IDRC). The main purpose of holding this conference was to draw the attention of the region's policy-makers and researchers to a series of important agricultural

policy issues that they will be confronting in the years to come. The International Development Research Centre is a public corporation created by the Parliament of Canada in 1970 to support research designed to adapt science and technology to the needs of developing countries. The Centre's activity is concentrated in five sectors: agriculture, food and nutrition sciences, health sciences, information sciences, social sciences and communications. IDRC is financed solely by the Parliament of Canada; its policies however, are set by an international Board of Governors. Among the participants, were several Indonesian scientists.

They were Kustiah Kristanto from the Faculty of Social Sciences and Culture, Hasanuddin University, presenting a paper entitled: "Aspects of Cattle Economy in South Sulawesi, Indonesia;" Herman Suwardi and Didi Atmadilaga, respectively Agronomist and Animal Husbandry Expert of the Padjadjaran University, presenting their papers on "Livestock Development Policy in Indonesia;" Joel M. Levine from Resources Management International Inc., South Sulawesi Transmigration and Area Development Project, presenting his paper on "Modeling Livestock Systems under Tropical Conditions with Special Reference to Indonesia;" N. Thomas, N. Mathus and M. Sabrani from the Bogor Animal Husbandry Research Institute wrote on "Small Ruminant Production in West Java - Methodology and Initial Results;" and Sukanto Reksohadiprojo and Sudomo Lebdosukoyo from the Faculty of Animal Husbandry, Gajahmada University, wrote on: "Low Cost Feed Ration; The Prospect for Substitution."

Herman Suwardi and Didi Atmadilaga mention in their paper that more pastures nowadays are being transformed into agricultural lands for the production of foodcrops. This is needed because of population pressure. This phenomenon is essentially true for the densely populated island of Java, which needed more land to be cultivated with foodcrops because of population pressure. But we must also take into consideration that the condition is not the same all over the island. We can find big and smaller urban centres and transitional areas in between where the population is indeed

very dense, but one can also find ricefields, dryland, forests and remote countrysides, where sometimes "slash and burn" agriculture is also practiced e.g. in the Banten and Jampang areas in West Java. Livestock, especially buffaloes in these places are still kept under half-wild conditions and allowed free grazing without any control. Livestock ownership in these areas has more of a social status than economic value. Only natural grass and in most cases *alang-alang* grass (*imperata cylindrica*) is available to livestock, which has a low nutritive value and consequently, productivity will be low. Forage from legumes should be added to the ration in order to improve the nutritive value. This can be obtained by the planting of secondary crops especially legumes. In a monoculture of rice in irrigated fields, usually without intercropping, protein rich forage is scarcely available. Therefore the nutritive-value of the forage is comparatively also low. This is of course the case if on the irrigated field only rice is planted all the year round, whereas if after rice secondary crops are planted the condition will be different.

More of the buffalo and cattle population in the areas near urban centres or those with good infrastructure is steadily declining. One of the main reasons is the scarcity of feed originating from secondary crops wastes. Near the urban centres, much agricultural land has been converted into industrial land or housing projects to facilitate the big flow of urbanisation. On many locations such as in South Sulawesi and West Java, small hand tractors are replacing the buffalo, the cow or even the horse. But taken for the whole ricefield areas in Indonesia this must be considered as an exception, since handtractors are quite expensive and small farmers, if not organized in a co-operative, cannot afford to purchase one. They also need to have certain skills, while maintenance and repair include many problems involving skills, facilities, spare-parts etc. that should be solved properly first before such a switch off can be more effective.

In the mean time many farmers are forced to return to the hoe. A second cause of the diminishing stock of buffaloes and cattle is the severe slaughtering of it, of which the meat

is eaten mostly by the middle class, while the lower classes only consume it on certain occasions. So the nutritive value of the food consumed by a large mass of the population is still low in animal protein. This excessive slaughtering is mostly due to the rise of living costs and the rising demands of the farmers and other rural people. So one can already make predictions about the livestock shortages which may worsen in the future.

Both authors also mention that there is also an excessive slaughtering of productive female animals. It is regrettable that this cannot be avoided e.g. by government regulations with rigid control and certain sanctions. The Third Five Year Development Plan has directed that Indonesia should increase food production with improved nutritive value at reasonable costs. This implies that livestock production should be developed beside the production of grains. As we can see there are still many opportunities open in this respect, especially for big enterprises to operate in the outer islands. But in the rural areas of Java a certain carrying capacity for cattle and buffaloes still exists and can be utilized by the small farmers. Plantations and forests can still do a lot in animal husbandry. Reasonable prices can be obtained in big urban centres. But inter-insular transportation from the production centres to the urban centres should be improved, especially with respect to the availability of drinking water in the ships and harbours, and of roughage. Also first aid in medical care should be provided as soon as cattle arrives at the harbours. For this capital and skills are needed.

As mentioned earlier on, diversification of feed for livestock should be made possible with the greatest variation in order to make the cattle most productive. Also, in relative terms this will be accomplished much more easily on dryland agriculture than on irrigated one. With respect to traditional livestock production we should bear in mind that at present, processing of stalked rice into grains is not done in the traditional way anymore. In the past, before the operation of small ricc-mills or hullers, usually ricc was pounded in a shed in the centre of the village. The end product was pounded rice (*beras tuton*) and ricc-bran,

still very rich in *thiamine*. The pounded rice is healthy food for human beings and the rice bran can be used as concentrate for poultry, ducks, small and big ruminants. Shortages in thiamine, which for the first time was discovered in Indonesia by Prof. Eykman, will threaten men and poultry who depend too heavily on the consumption of milled rice. With the attitude of village people nowadays who prefer to have their rice milled instead of home pounded, a large lost of rice-bran is the result, because it is left with the rice-mills. And this accounts for the fact that it is no more available to the traditional raising of livestock, poultry, ducks etc. Consequently the value added of livestock raising in the villages is also declining. Thiamine deficiencies can be overcome if all small farmers are able to purchase rice-bran in the market coming from the rice-mills. But in practice this is not an easy task; to purchase rice bran, one needs cash which most of the farmers do not always have. Previously it was always available in the villages and cash was not needed.

In Indonesia right now one can easily get outstanding final stock of poultry, and even parent stock is now readily available to the breeders. All these outstanding breeds are mostly produced by big private companies. The problem is now that almost all the companies with their breeding stations are located near the big cities in Java. The production of the village-chicken is low because of the genetical make-up. So the demand of outstanding breed because of its high productivity is steadily going up. But at this very moment, backyard farmers with their small flocks must wait for their turn to get the DOC requested, and while their capital is small they have to buy in large numbers. Only through cooperative actions can this important problem be solved. Moreover, small farms outside the island of Java must wait until the DOC arrives by air. So at least in every province throughout Indonesia the establishment of breeding stations, large enough to serve all regencies in the provinces, will be necessary.

The "Village Unit Area" approach toward self-sufficiency in rice-production through the *Bimas* scheme, which is an intersectorial ap-

proach is very successful. It should also become a vehicle to gain similar success to *Bimas* for animal husbandry. Or in other words for the success in livestock raising, animal husbandry should also be incorporated into this unit. Everybody should welcome the *Bimas* scheme for livestock. But what the writer has experienced is that loans extended to farmers for the care of livestock are sometimes not accompanied by the preparation of feasibility studies carried out by experts. Often livestock was bought for areas of which the carrying capacity to produce roughage was not enough compared to the number of cattle purchased.

Indonesia is now importing large quantities of milk and other dairy products. Domestic production is not as yet sufficient to meet the demand. In order to reach self-sufficiency in milk Indonesia is importing FH cattle to be distributed to the farmers and cooperatives. The government also assists in the transportation, conservation and marketing of the milk. From the genetical view point these imports can be justified. Artificial insemination with outstanding semen should be made available in all possible sites.

Levine presents a list of 9 major agroclimatic zones of Indonesia. He mentions that the islands of Java, Madura and Bali cover 7 percent of the whole land area but contain 64 percent of the whole population of Indonesia, 66 percent of the number of cattle, 47 percent of the buffaloes and 85 percent of the sheep and goats. These three islands, called the inner islands, also contain most of Indonesia's best soils, which are of volcanic origin. Most of the soils of the outer islands, however, are podzolic and rather poor. With differences in population densities the pattern of animal husbandry is different also. Another factor of importance distinguishing agroclimatic zones is the amount of rainfall.

In the inner islands Levine mentions that livestock raising is part of the intensive farming system that also uses livestock for draft power, manure, recycling of byproducts and a form of savings which is important for the farmers to go through the off season. The outer islands are mostly thinly populated very often with

vast areas of alang-alang grassland, in most cases as a consequence of slash and burn shifting cultivation. If the soil conditions are improved and soil conservation methods practiced, here are potentials for the establishment of big cattle enterprises including ranches, which may later produce draft animals that the agricultural sector still badly needs for transmigration projects as well as local settlements. However a lot of research work has to be conducted to find out what improvements should be made, what kind of breeds can be recommended, what kind of feed is readily available and what kind of recommendations should be given to improve overall conditions.

About 13 percent of the total number of Indonesian smallholders are engaged in cattle raising. For the smallholders, cattle raising means a good investment to produce meat, milk, draft power, manure, savings and breeding stock for multiplication. About 61 percent of the 6.2 million cattle is in Java, and East Java has the highest number in stock. As mentioned by Herman Suwardi and Didi Atmadilaga, in the past pastures and grazing land in Java was deliberately made available to livestock. However, because of population pressure almost all the grazing land was converted into fields for crop-production. At present the number of cattle raised in East Java is going down, whereas in South Sulawesi, Bali and East Nusa Tenggara it is still going up. About 90 percent of all cattle in South Sulawesi is maintained in smallholdings.

Kustiah Kristanto reports that cattle contributes relatively more to farm income on unirrigated fields than on irrigated rice-fields. It is not said what the real reason for this is, and more intensive research should be undertaken to find out the real reason.

In South Sulawesi not every smallholder keeps male cattle; the proportion of male cattle to the whole cattle population is 22 percent. This proportion is high enough and selection should be carried out to find the best breeding males. In the mean time more inferior males should be used in plowing, and the use of female cattle in plowing should be avoided whenever possible, since this will extend the

calving period and make the cattle less productive. During the year the farmer usually does not care much about the quality of the feed given to cattle, except when used as draft animals and required for plowing. During these times, about 30-45 days during the cropping period, cut grasses, rice-bran and some salt are given. The Department of Agriculture has estimated that South Sulawesi still needs an optimum number of 2.5 million livestock for draft power, slaughter and breeding. In order to meet this demand several programs have been developed involving credits to individuals, cooperatives and the participation of communities.

In the above mentioned papers on Indonesia, it is mentioned that at this moment because of population pressure and some inputs in technology, conventional feeds are continuously declining in terms of availability.

Sukanto Reksohadiprojo and Sudomo Lebdosukoyo suggest the use of some unconventional feeds like cassave pomace, cassave peelings, gnetum gnemon (*melinjo*) pulp, coffee pulp, banana fruit waste, *kapok* meal, rubber seed, rice straw, soybean straw etc. which later on can be produced by industries. It is admitted that further research is necessary; livestock producers have recommended that field trial evaluation must be conducted to determine the economic and technological feasibility of using it in livestock rations. Some unconventional feeds like cassave pomace need some drying beforehand. Others may need technological inputs which should be economically feasible.

An upland and lowland sites were selected in West Java to study small ruminant production on small farms. From the baseline survey it was found that the pattern of sheep and goats ownership and the sources and diversity of feeds showed distinct differences. The baseline data also indicated a significant relationship between the amount of land farmed and flock size at one of the locations, and from estimated age-weight relationship a different pattern of animal growth at the two sites was to be expected. However, *no significant dif-*

ferences exist between locations for daily LWG (liveweight gain). A significant difference exists only in daily LWG between the lightest and the other categories.

This study suggests that an animal enterprise has several components that influence

productivity. Both technology and flock characteristics are different between locations, but individual animal productivity is similar. Feeding management as a component of technology is different at each location, but constraints in feed quality or quantity effectively eliminate these differences in technology.

The Indonesian Quarterly is published in January, April, July and October.

Inquiries concerning subscriptions should be sent to NV Indoprom Company (Indonesia) Ltd., P.O. Box 2090 JKT, Jakarta, phone 822307. Subscription price is Rp. 3.200,00 a year; Rp. 2.700,00 for Students; US\$ 14.00 for subscribers living outside Indonesia.

Orders for single back issues and bound volumes should be addressed to The Indonesian Quarterly, Jalan Kesehatan 3/13, Jakarta, phone 349489. Single back issues price is Rp. 800,00; US\$ 3.50 overseas. Bound volumes price is Rp. 4.000,00; US\$ 15.00 overseas.